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ESTABLISHED 1887

No 'There She Is!' for China Beauty Pageant Plans Are Curtailed by Ideology

By Edward A. Gargan. BEIJING — In 1947, Daisy Wang walked away with Shanghai's beauty crown — its last. After civil war, communism came in 1949 and with it, proletarian morality and a conviction that in the workers' and peasants' paradise, beauty was bourgeois.



President Ronald Reagan and his wife take shelter under umbrella as he makes a statement before leaving for the trip to Moscow, which includes a stop in Finland to recover from jet lag before the talks with Mikhail S. Gorbachev. They arrive in Moscow Sunday.

Israel Hits Shiites in Lebanon

Planes and Tanks Aid Militia Raids; Sidon Is a Target. By Joel Brinkley. JERUSALEM — Israeli Air Force and artillery units along with Lebanese Christian militiamen attacked a Shiite Moslem stronghold in southern Lebanon on Wednesday in the second attack against pro-Iranian Hezbollah forces in three weeks.

Soviets Disclose Afghan Toll



General Alexei D. Lizichev at a news conference Wednesday.

13,310 Die In Conflict

By Michael Dobbs. MOSCOW — The Soviet Union provided the first official casualty figures for its occupation of Afghanistan on Wednesday, announcing that 13,310 Soviet soldiers had been killed in the eight years of fighting.

Reagan Reported Firm on SDI Testing

By Michael R. Gordon and John H. Cushman Jr. WASHINGTON — President Ronald Reagan is heading for the Moscow summit conference apparently determined to resist any proposals that would limit the Pentagon's plans to test anti-missile systems in space.

Helms Yields on INF Pact

WASHINGTON — The main congressional opponent of the INF Treaty conceded Wednesday that he had been defeated, possibly clearing the way for Senate approval of the accord before President Ronald Reagan's meeting with Mikhail S. Gorbachev this weekend.

Klosk

Gadhafi Says Chad War Ends

BELGRADE (AP) — Colonel Moammar Gadhafi, the Libyan leader, declared an end to his country's war with Chad on Wednesday, the official Yugoslav press agency Tanjug reported.

U.S. Deficit Shrinks

The U.S. trade deficit shrank 12.7 percent in the first quarter of 1988, to \$35.95 billion, the biggest improvement in five years, the government said Wednesday. (Page 15)

Rift Delays Soviet Vote On Co-ops

By Bill Keller. MOSCOW — The Supreme Soviet, normally a docile forum that ratifies the Communist Party's will by unanimous shows of hands, found itself with an unexpected tax revolt on its hands on Wednesday.

Shultz Reports Collapse of Plan To Drop Noriega

WASHINGTON — Negotiations aimed at removing General Manuel Antonio Noriega from power in Panama have broken down, Secretary of State George P. Shultz announced on Wednesday, and the United States has withdrawn its offer to drop drug charges against him.

VICTIM OF KOREAN FIREBOMB

Flames engulf an elderly Korean woman after students hurled firebombs at police during anti-government demonstrations in Seoul on Wednesday. South Korean officials said she was not seriously injured and was released after examination.



VICTIM OF KOREAN FIREBOMB — Flames engulf an elderly Korean woman after students hurled firebombs at police during anti-government demonstrations in Seoul on Wednesday. South Korean officials said she was not seriously injured and was released after examination.

'Sick Building' Illness A New Office Syndrome

By Michael Weisskopf. WASHINGTON — When Bobbie Lively-Diebold enters her office her lips, ear canals, throat and eyes burn. Her vocal cords swell so that she cannot speak. The room seems to spin in slow motion and she strains for every breath, wheezing like an asthmatic.

Britain's Parliament Barely Preserves Its Dignity

By Francis X. Clines. LONDON — Parliament is only in its eighth century of existence, but still the 1988 session is turning into a collector's item, with nude frolicking reported in the House of Commons shower room and, of even greater prurient interest for the avid British politician watcher, naked power-broking displayed on the floor of the House of Lords.

Hana Mandlikova, eighth seed in the French Open, checking the scoreboard in her match Wednesday against Bettina Fulco. It showed her losing. Page 17.

General News

An Iraqi offensive drove Iranian forces from their foothold near Basra. Page 7.

Business/Finance

Britain said it would allow Nestlé of Switzerland to proceed with its takeover bid for Rowntree. Page 9.

Nippon Telegraph & Telephone reported a 64.3 percent increase in profits. Page 11.

Table with financial data: Dow Jones, The Dollar, etc.

Vertical text on the left margin: 's Loses, EMPLOYMENT, ACCESS VOYAGE, Page 4 FOR MORE CLASSIFIED, ET, PAY MORE, VOLVO



# Mrs. Reagan Stands By Her Man, Avidly

## Despite Gossip, Ridicule and Dread, She Continues as His Closest Adviser

By Julie Johnson  
*New York Times Service*  
WASHINGTON — She has been vilified and ridiculed, gossiped about and even dreaded by some who work in the White House, but Nancy Reagan remains the president's most influential and trusted adviser.

ment based on bedroom habits." Mr. Lilly was appointed "because the first lady said so," an administration official said.

The extent of her influence, now the center of attention after unfattering disclosures in three new books, may never be known.

She initially supported Judge Robert H. Bork when he was nominated to the U.S. Supreme Court but shifted after controversy erupted over his judicial philosophy.

Not one current White House official will comment publicly. Truths about Mrs. Reagan are all the more elusive because in many cases people in the White House who would talk about her had their own biases.

She has been credited with heightening White House concern about the widespread use of drugs. Further, she has been instrumental in suggesting presidential appearances on the drug issue.

There is no doubt, however, that she continues to make her views known on important issues.

White House insiders confirm accounts in newly published books by Donald T. Regan, a former White House chief of staff, and Larry Speakes, a former White House spokesman, that she wanted some top officials dismissed, either because she thought them incompetent or because they had become entangled in controversy.

A diplomat close to the negotiations involving General Manuel Antonio Noriega of Panama described Mrs. Reagan as opposed to an arrangement that would allow him to step aside in return for dismissal of a federal drug-trafficking indictment against him.

As recounted by Michael K. Deaver, a former deputy White House chief of staff, in a book published last year, Mrs. Reagan became concerned in the early years of the administration that the press was portraying her husband as a warmonger. She suggested he soften his oratory on the Soviet Union.

Mrs. Reagan reportedly feels such an arrangement would undermine the credibility of her own campaign against drug abuse and might damage her husband politically.

Charles Z. Wick, director of the U.S. Information Agency, a longtime friend of the Reagans, rejected the notion that the first lady is a "Lady Swengali."

Interviews with nearly two dozen current and former White House aides and friends of the Reagans offer snapshots of Mrs. Reagan's personal involvement in policy and reinforce her public image as a keen protector of Ronald Reagan's image and health.

Former White House and Reagan campaign aides assert that Mrs. Reagan is not as uncomplicated as she is portrayed. Said Sheila Tate, Mrs. Reagan's former press secretary: "Guess what? She's got more than one dimension."

For example, Mrs. Reagan urged the president to consider appointing a homosexual to his advisory commission on AIDS. In the White House, when a homosexual New York geneticist, Frank Lilly, was named, it was widely viewed as a defeat for Gary L. Bauer, a senior policy adviser. He earlier had said he would be "very surprised if an administration opposed to making appointments on the basis of race or sex would agree to make an appoint-

ment based on bedroom habits." Mr. Wick said recent books and news accounts of her influence had overlooked the nature of the Reagans' long marriage.

What could be more ideal than to think out loud or to share ideas

with someone whose judgment you trust?" Mr. Wick asked. "She has great influence — in the sense of proximity. She has access to him."

In the books by Mr. Speakes ("Speaking Out") and Mr. Regan ("For the Record"), Mrs. Reagan emerges as a queen bee and a superstitious manipulator whose input was viewed as interference rather than help.

Mr. Deaver's book, "Behind the Scenes," is somewhat less damaging in its portrayal of Mrs. Reagan, whom Mr. Deaver characterized as a "compulsive user of the telephone."

But, for all their glimpses into the White House, these books raise more questions than they answer, according to some who have read them and not liked them.

For her part Mrs. Reagan has acknowledged frequent use of her "trusty telephone."

"I see the first lady as another means to keep a president from becoming isolated," Mrs. Reagan said in a speech in New York last year.

Describing the role of a president's wife, she continued: "You don't have to look after your husband or to voice your opinions, either to him or his staff. In spite of a White House full of people taking care of various aspects of a president's life, you're the one who knows him best."

Before Munich, all the diplomats hoped around the world that Hitler was a nice guy and we would be able to deal with him," he added. "I believe that in this, there's going to have to be a basic difference in attitude adopted."

This is not the first time that Mr. Von Raab has proposed tougher measures in the fight against drugs.

I see the first lady as another means to keep a president from becoming isolated.



Nancy Reagan: The Associated Press

# 'A War Footing' on Drugs Urged in U.S.

By Michael Isikoff  
*Washington Post Service*

WASHINGTON — The U.S. customs commissioner, William Von Raab, a key figure behind the creation of President Ronald Reagan's "zero-tolerance" policy of fighting narcotics, has called for even sterner measures, including placing the United States "on a war footing."

Last year, he recommended that the Customs Service and the Coast Guard be authorized to shoot down airplanes suspected of drug smuggling, if the pilots ignored orders to land. The proposal was rejected by the Justice Department.

Under a change disclosed this week, vessels beyond 12 miles will be seized for carrying drugs only if there is evidence of intent to smuggle them into the United States. Such evidence could consist of substantial quantities of drugs aboard the vessel, Mr. Meese said.



William Von Raab

Zero-tolerance means a policy of arrest and confiscation of property such as boats for the discovery of even the slightest amount of drugs. To demonstrate that he means business, the Customs Service has drafted some novel recommendations for Mr. Reagan.

It appeared that some of the new ideas, such as selling drug-war bonds, might meet a similar fate. "I think he's going a little far afield," said Representative Larry Smith, Democrat of Florida, chairman of the International Narcotics Task Force for the House Foreign Affairs Committee. "You can only go so far before this becomes a fetish."

Inside the 12-mile limit, possession of any amount of narcotics is illegal, he said, and could be ground for confiscation of the boat.

They include selling "drug-war bonds," setting up special courts to prosecute drug users and traffickers, eliminating more lenient treatment for juvenile drug offenders and instituting an income tax checkoff so taxpayers can help finance drug fighting programs.

Meese Denies Shift  
Earlier, the Los Angeles Times reported from Washington: Attorney General Meese has rejected suggestions that a curb on

Some customs officials have suggested going even further, such as attempting to portray anybody who displays a tolerant attitude toward drug use as a "traitor."

## Top Meese Aides Nominated After Difficult Search

Los Angeles Times Service  
WASHINGTON — Nearly two months after two top-level Department of Justice officials resigned to distance themselves from Attorney General Edwin Meese 3d's legal difficulties, President Ronald Reagan has nominated replacements for them.

Advertisement for L'OR ET SON MYTHE jewelry exhibition at the Grand Palais, Paris, from May 6-29.

# Redefining U.S. Security, Jackson Urges 'Very Different' Moscow Ties

By Bernard Weinraub  
*New York Times Service*

LOS ANGELES — The Reverend Jesse L. Jackson has urged "a very different relationship with the Soviet Union" and recognition by the United States that a "new order" is emerging in the Third World.

der that is coming into being," he said. "President Reagan, or his aides and seers who defined policy, viewed the Third World primarily through the lens of the East-West conflict and astrotlogers."

On Tuesday, in the most detailed foreign policy speech in his campaign for the Democratic presidential nomination, Mr. Jackson denounced President Ronald Reagan's "mock tough postures" against the Soviet Union.

A key to policy toward the Third World is for the United States to "respect the right of self-determination," Mr. Jackson insisted.

The candidate said in a speech to the Los Angeles World Affairs Council that the nation's "insecurity today comes not from the spread of Communism" but from joblessness, global economic problems and drug trafficking that "overruns our borders."

"Many pay lip service to self-determination but refuse to apply it consistently," said Mr. Jackson. "Some support self-determination for all but El Salvador, because they might choose the wrong form of government, or self-determination for all but the Palestinians, because they confront our closest ally in the Middle East."

Although sporadic applause marked the speech and Mr. Jackson received a standing ovation when he finished, the luncheon crowd of 1,200 business leaders, lawyers and executives greeted the message somewhat coolly.

He added: "To ignore self-determination is only to exacerbate the problem. In the Middle East, Israeli security/Palestinian self-determination are two sides of the same coin. We must do for them what they cannot do for each other: Break the cycle of violence, provide guarantees for mutual security in exchange for mutual recognition, land in exchange for peace."

Two central themes dominated the speech, which contained no broad criticisms of the Soviet Union. The first was that the Moscow summit meeting starting Sunday "dramatizes the growing limits

The speech on foreign affairs was Mr. Jackson's second consecutive policy address designed to influence the Democratic Party platform that will be drawn up at the national convention July 18-21 in Atlanta.

On Tuesday, in the most detailed foreign policy speech in his campaign for the Democratic presidential nomination, Mr. Jackson denounced President Ronald Reagan's "mock tough postures" against the Soviet Union.

Mr. Jackson's second theme centered on U.S. policies in emerging nations. He said the United States viewed Third World countries through the prism of capitalism or as "pawns in a global chess game."

# Jersey City Schools Face Takeover

The Associated Press

TRENTON, New Jersey — Jersey City's schools are in an "advanced stage of decay," New Jersey's education commissioner has said in announcing that the state will attempt to take control of the 32,000-student district.

Education Commissioner Saul Cooperman, citing rampant political patronage, mismanagement and chronic failure to educate the district's students, began efforts to take over the district on Tuesday.

It would be the first time a state has taken over such a big urban district, New Jersey's second-largest, said the National Governors Association in Washington.

The school system in Jersey City, an ethnically diverse city of more than 200,000 people, many of them recent immigrants, has come under fire for poor test scores and a high dropout rate.

An independent auditor's report cited by the state also charged that jobs in the school system were treated as political paybacks and that courses are so outdated that one on Africa failed to list 17 countries formed since 1958.

"As is true of other enterprises that reach such an advanced stage of decay, the Jersey City school district offers a compelling case for bolder, more decisive and nontraditional intervention by higher public authorities," Mr. Cooperman said.

# Vietnamese Politician Is Granted a U.S. Visa

New York Times Service

WASHINGTON — U.S. State Department officials say they have granted a visa to Nguyen Xuan Oanh, an American-educated Vietnamese who is a leading advocate of economic liberalization in his country and a member of the Vietnamese National Assembly.

Mr. Cooperman said district administrators were incapable of properly running the schools or fixing widespread problems.

The decision came after a campaign by Mr. Oanh's supporters in Congress and elsewhere who believed that the Reagan administration had intended to deny him a visa.

"Political patronage, union pressure and cronyism is a consistent motivation, at all levels, in the hiring, firing and promoting of staff," he said.

A State Department spokeswoman, Ruth H. Van Heaven, said the decision to admit Mr. Oanh did not represent a change in the department's position.

Under New Jersey legislation enacted five months ago, Mr. Cooperman could abolish the local board of education, fire the superintendent and administrators and appoint a state superintendent to run the schools for at least five years.

However, staff members at the Washington office of the American

In the mid-1960s, Mr. Oanh lived in Saigon and worked for the South Vietnamese government. After the fall of South Vietnam in 1975, he was put under house arrest for a year and then became involved in government planning.

# HAVEN'T YOU EARNED A BIGGER OFFICE?



Advertisement for Pan Am's Clipper Class, highlighting features like more room, bigger storage bins, and private terminal access.

Advertisement for 'AUTHORS WANTED BY N.Y. PUBLISHER' seeking various types of manuscripts.



OPINION

The Soviet Party Remains In Charge, So What's New?

By George F. Will

WASHINGTON — Since 1917, the Soviet Union has been a country in which, in Orwell's words, yesterday's weather could be changed by decree. (And was, as a way of explaining agricultural failures without reference to communism.) Now fundamental change is said to be afoot. But the criterion of such change should be an altered — reduced — status of the Communist Party. No such alteration is apparent.

In fact, Mikhail Gorbachev is affirming the party's monopoly on interpretation by his use of today's two talismanic words, "Perestroika" (restructuring) means what the party says it means, and "glasnost" (openness) means freedom to criticize critics of perestroika. This, as the French scholar Alain Besançon notes, is the meaning of Mr. Gorbachev's dictum that "criticism must be conducted in the spirit of the party."

On this summit eve, the crucial question is not "What does Mikhail Gorbachev want to do to the Soviet Union?" but "What does he want to do with the Soviet Union?" Of course he wants a more productive, efficient economy. But to what end, and at what cost to discipline imposed from above?

Suppose the Soviet aim is unchanged. Suppose it aims to detach Germany from NATO in order to detach Western Europe from the United States in order to achieve victory in the irrepressible conflict between two irreconcilable social systems. Would his behavior be different than it is? Would he not encourage the West with its technological virtuosity, to relax? Would he not encourage this by de-emphasizing peripheral objectives, such as Afghanistan, and encouraging, on ostensibly moral grounds, the shift



LETTERS TO THE EDITOR

No Hope Soon for the Poor

Nafis Sadik's argument, in "Development Is Mandatory and Has to Be Different" (May 14), that "social development should not be sacrificed to economic 'adjustment' when debt repayment is discussed" is of course correct. However, I do not agree with her belief that "a better life for the world's poor" is "within reach, now." In my opinion it is not.

De-Program the Markets

Regarding "The Ghostly Rat That Turns Stock Markets Into Casinos" by William Safire (May 6): Congratulations to Mr. Safire for denouncing the impact of computer-controlled program trading on the U.S. stock market. Program traders and those who earn their living in the derivative markets will be able to produce endless arguments to defend their activities, but there seems to be little doubt that the fundamental reasoning behind the movements in the various market indices has deteriorated.

Cautious Optimism

SKEPTICS will question the utility of the Moscow meeting, as well as the likelihood of the present Soviet-American rapprochement developing into a long-term detente. Indeed, it is unwise to conclude that the men in the Kremlin have now irreversibly abandoned their role as international mischief-makers and are firmly determined to cultivate their own garden. On balance, however, there is room for cautious optimism.

For a Deal With Savimbi

Traveling from Jamba, headquarters of UNITA, I was astonished to read Anthony Lewis's opinion column in your May 9 issue, "Getting Cuba to Talk With South Africa." After long dis-

To Be Famous, All You Do Is Solve the Little Problem

By Martin Gardner

HENDERSONVILLE, North Carolina — An appealing irony of modern technology is that generations of intellectuals, schooled in higher mathematics, nonetheless have been stumped in efforts to solve a seemingly simple 357-year-old number puzzle.

The theorem, put forth by Pierre de Fermat, a 17th century French mathematician, has teased the brains of thousands of mathematicians. Having eluded a "proof" for more than three centuries, Fermat's "Last Theorem," as it has become known, has thus taken on a kind of mystical importance. Anyone who solves it would be instantly famous, as became clear from the attention given a Japanese mathematician when he offered a "solution" earlier this year. Experts determined last month that it was flawed, however, so today the theorem continues to beckon.

Perhaps the most frustrating aspect of this puzzle is that it is so easy to understand: Does the equation A to the nth power plus B to the nth power equal C to the nth power have a solution in which A, B and C are positive whole numbers and n is greater than 2? When n equals 2, for instance, there are many solutions, including 3 squared plus 4 squared equals 5 squared — 9 + 16 = 25. Above the 2d power, however, no whole numbers seem to work. Proving that this holds true for all other numbers is what has baffled the giants of mathematics.

As if to further tantalize, Fermat scribbled in the margin of a math book a note in Latin saying that he had a "remarkable proof" that there were no other numbers for which the equation would work, but that the margin was too narrow to contain it. Fermat never published his proof, probably because he soon discovered that it was unsound. The enigma continues to capture the imagination of mathematicians around the world.

Advertisement for Hotels Meridien. Features an illustration of a group of people dining at a table in a restaurant. Text includes: 'HOTELS MERIDIEN', 'The very soul of France in North America.', 'In the pulsating rhythm of the great North American cities, the Meridien hotels provide the charm of French tradition.', 'In New York, Boston, San Francisco, New Orleans, Newport Beach, San Diego (Opens June 88), Vancouver, Montréal and in more than 50 cities from London to Tokyo, by way of Rio and Cairo, Dakar and the Seychelles Islands.'

Advertisement for Saudia Horizon Class. Features an illustration of a man sitting in a large airplane seat. Text includes: 'Wouldn't you pay a little more than economy fare for a first class seat?', 'For only a little more than economy fare, Saudia's new Horizon Class offers you first class seats, and first class treatment, too.', 'I HORIZON CLASS', 'saudia SAUDI ARABIAN AIRLINES Member of IATA'.

antime, Sad Joke Poland by Flora Lewis... The story of Stefan... The story of Stefan... The story of Stefan...

### ASIAN TOPICS

#### Philippine Invitation To Nicaragua at Issue

The government of the Philippines is convening a four-day conference of "newly restored democracies" in Manila next week. Diplomats say the United States, a close ally, has expressed its displeasure over the inclusion of Nicaragua on the guest list. Michael Richardson of the International Herald Tribune reports.

The Reagan administration has labeled the Nicaraguan government a Communist dictatorship and has sent millions of dollars' worth of aid to rightist rebels. Diplomats said the United States, not wanting to offend Manila publicly during sensitive negotiations on the future of U.S. bases in the Philippines, has decided to accept an invitation to send observers to the meeting.

Raul Manglapus, the Philippines foreign secretary, said confirmed participants include Argentina, Brazil, the Dominican Republic, Greece, Guatemala, Nicaragua, Peru, Portugal, Spain and Uruguay. He said they might forge a common stand on such issues as foreign debt, human rights and resistance to coup attempts.

The Tokyo Stock Exchange, befitting its growing role in global equity trading, opened a new headquarters this week. The 15-story building almost doubles the exchange's floor space, to about 540,000 square feet (50,000 square meters). It has a rooftop heliport and a solar heating system.

The Peak Tram, one of Hong Kong's best-known attractions, is to be modernized as it begins a second century of carrying people up 1,805-foot (550-meter) Victoria Peak at a steep maximum angle of 27 degrees. A \$6.4 million overhaul will increase the top speed of the electric-powered cable railway from about 15 feet a second to about 19 feet, or about 10 miles (16 kilometers) an hour, and carrying capacity from 72 to 120 passengers a trip, or about 1,400 an hour each way. A Swiss company is to complete the overhaul by late next year.

#### Japanese to Double Capacity of Narita

Tokyo's Narita Airport is 10 years old this week, still embattled but gaining in prominence among world airports. Patrick L. Smith of the International Herald Tribune reports. Narita originally was scheduled to open in 1971, but had no flights until 1978. Six persons have died in clashes between police and airport opponents, mostly farmers and leftists, since the government announced the airport project in 1966.

At one point, 13,000 police battled with 13,000 demonstrators. Today, 500 riot policemen still patrol the 1,065 hectare (2,600-acre) airport 63 kilometers (40 miles) from Tokyo, an hour's drive by expressway.

Security remains unusually rigorous, even by today's tight standards worldwide. Nonetheless, the government plans to double the airport's capacity by March, 1991. Two additional terminal buildings will increase passenger capacity from 11 million people

a year — currently stretched to 14 million — to 23 million. This would still leave it well down in world rankings. Chicago's O'Hare had more than 53 million passengers last year.

#### Around Asia

In most of India, the bride's family pays the dowry. But for northeast India's Reang hill tribe, who worship woman as the creator, the husband not only pays the dowry but does up to three years' work for the bride's family. Kashiram Reang, 35, was no exception, even though he was a minister in the Tripura state government. "I worked as a farmhand, looked after their cattle, carried purchases made at weekly markets home on my shoulders," he recalled. "I found it terribly humiliating but customs die hard in the tribe and I cannot afford social excommunication, not as I am in politics."

Several refugee districts were put under curfew, with residents forbidden to leave their homes.

#### A Plan to Boost Tourism

Israel is launching a \$5 million advertising campaign to counter a tarnished image and a steep decline in tourism caused by the Arab uprising in the occupied territories. The Associated Press reported from Jerusalem.

Tourism is Israel's largest source of foreign capital, earning \$1.6 billion last year. But officials expect income to drop this year by about \$300 million, making tourism the industry hardest hit by the unrest.

Tourism in March and April slid 23 percent compared to the first two months of the year, and bookings have plummeted. In Europe alone, about 60,000 people have called off plans to travel to Israel, and 407 charter flights have been canceled.

To try to turn things around, the Tourism Ministry plans to spend \$5 million on an advertising campaign in Europe and the United States under the slogan: "Israel: See for Yourself."

North Korea has labeled South Korea's decision to move its clocks forward one hour during summer as "a treacherous act." The official Korean Central News Agency charged that Seoul had decided to switch to daylight saving time to increase advertising revenues from U.S. television networks' live broadcasts of the Olympic Games. The broadcast said, "The change of the time to win favor of the U.S. master and earn a few more dollars shows that the [President] Roh Tae Woo clique is a group of disgusting traitors to the nation."

Arthur Higbee

### SUMMIT: Reagan Firm Over SDI

(Continued from page 1) interceptor missile — could be tested under the broad interpretation. Nor have U.S. officials conducted an inter-departmental study of the possible benefits for SDI of adopting the broad interpretation. One influential adviser to the Pentagon said that, in view of the probable pace of SDI tests, "there is no basis for violating" the traditional interpretation of the ABM Treaty "for many years to come."

This adviser argued that the Reagan administration's broad interpretation in the Geneva arms talks had posed an unnecessary obstacle to a strategic arms treaty. "We would be stopping a treaty we want to sign to protect an option we are not going to execute," he added.

A recent report to Defense Secretary Frank C. Carlucci by a Defense Science Board Task Force also challenges the wisdom of insisting on the broad interpretation, asserting that it hinders efforts to develop a political consensus for the SDI research program and complicated planning.

"There is not a force acting on the SDI program that is more damaging or more insidious than the present debate on the narrow versus the broad interpretation of the ABM Treaty," said the report.

"The notion of the broad interpretation of the ABM Treaty has been promulgated presumably to give the program greater flexibility to plan and carry out its testing program. In fact, it has had the opposite effect: the present testing program is in a straitjacket."

According to some advisers, shifts in the program may mean that the United States may be able to strike a far more flexible stance on the question of SDI testing. Mr. Carlucci is said by his associates to share generally this view.

So far, however, there is no indication that the Reagan administration is prepared to demonstrate significant flexibility. Some knowledgeable administration officials say that fealty to the "broad" interpretation remains a political litmus test of loyalty to the Reagan administration.

Some administration specialists say that broad interpretation has become an important symbol of conservatives of the administration's commitment to SDI and that White House officials appeared to support fully the broad view, despite misgivings by some experts at the State Department and the Arms Control and Disarmament Agency.

"The administration is caught between a rock and a hard place," said one specialist. "The broad interpretation policy can't be walked back and it can't be moved forward in Geneva."

As the Reagan administration goes into its final months and the presidential election campaign heats up, some specialists perceive a final irony.

They say that the administration could extract some additional concessions from Moscow in the arms talks by demonstrating some flexibility on the treaty interpretation issue. But by holding firm, it may simply ensure that the United States abandons the broad interpretation without securing any concessions in return at Geneva.

### RAID: Israelis Attack

(Continued from page 1) previous attacks against military points in Lebanon are intended to discourage guerrilla incursions across Israel's northern border.

There has been a rash of such incursions this year, and the government believes that the Palestine Liberation Organization has been using them to energize the nearly six-month-long Palestinian uprising in Israel's occupied territories.

The latest leaflet from the underground leadership of the uprising called for a general strike on Wednesday, the 40th day since the assassination of Khalil al-Wazir, the Palestine Liberation Organization military chief. Virtually all businesses in the West Bank and Gaza were closed, and there were scattered reports of demonstrations and some clashes.

Several refugee districts were put under curfew, with residents forbidden to leave their homes.

### SOVIET: Dispute on Taxes Holds Up Vote on Co-ops

(Continued from page 1) There is virtually no doubt that the draft business law will be approved, since it is enthusiastically supported by Mr. Gorbachev and seems to have no serious opposition. Aside from the tax dispute, most of the debate on the law concerned ways to include even more freedom for entrepreneurs.

The draft law on cooperatives, first published for public debate in March, is intended to give a second wind to the budding private business boom, first to provide consumers with a quick supply of food, products and services, and then to give a healthy jolt of competition to hidebound state monopolies.

An estimated 20,000 cooperative businesses have been organized, including restaurants and cafes, taxi services, home and auto repair and a few private medical clinics. More recently they have begun to move gradually into small-scale manufacturing of clothing, building materials and other goods.

But entrepreneurs have said the movement is hampered by traditional legal limits on ownership, hiring and price-setting.

Officials at the Finance Ministry said the tax was intended to help break down resistance to private enterprise by assuring the public that private entrepreneurs will not be raking in huge wealth without contributing to the government.

Revenues from the tax are to go

of up to 90 percent on the most profitable enterprises.

Leading the attack against the tax law Wednesday were two legislators from republics that have been among the leaders in promoting innovative forms of private business, Byelorussia and Estonia.

Georgi S. Tarazevich, chairman of the Byelorussian legislature, said the nationwide income tax threatened to "emasculate" the flexibility of local business authorities. He said local authorities should have the right to give tax breaks to businesses producing goods and services that are in particular demand.

"The fears that such an approach will lead to budget losses are unfounded," he said, in remarks reported by the official press news agency Tass. He added, "Individual mistakes on the local level are much easier to correct than mistakes on the scale of the whole country."

Kheino T. Veldi, first deputy prime minister of Estonia, said the two-month-old tax should be repealed and re-examined in detail after the new business law was put into effect.

The two houses of the Supreme Soviet later broke into separate sessions to consider amendments to the business law, with a final vote expected Thursday.

### Swiss Expel Soviet Attaché

(United Press International) BERN, Switzerland — Switzerland announced Wednesday the expulsion of a Soviet Embassy science attaché on charges of espionage.

The two houses of the Supreme Soviet later broke into separate sessions to consider amendments to the business law, with a final vote expected Thursday.



STATE OF READINESS — A Soviet policeman walking past television equipment being unloaded in Moscow on Wednesday, as American networks get ready for the U.S.-Soviet summit meeting.

### LOSSSES: Soviets Give Toll

(Continued from page 1) as a basis for military operations against the Kabul government, in violation of the United Nations sponsored peace accords.

"If the Geneva agreements are not fulfilled by Pakistan, we will react according to the way the situation demands," said Mr. Vorontsov.

Pressed on whether Moscow would reconsider its withdrawal if it believes that Pakistan is continuing to violate the agreement, he said: "We expect an explanation and corrective action from the Pakistani side. If these are not forthcoming, we may have to call another news conference like this one to say what our reaction will be."

Mr. Vorontsov also accused the United States, a co-sponsor of the Geneva agreements together with the Soviet Union, of "pouring arms on the flames" by continuing to provide arms to the rebels. He said the Soviet Union had established that Afghan guerrillas were routinely selling ground-to-air Stinger missiles — one of the most sophisticated weapons in the U.S. military arsenal — to Iran.

According to Mr. Vorontsov, 31 Stingers had been sold to Iranian agents while another 10 were sold to drug smugglers for 13 million Iranian rials (\$300,000) a piece.

"We also have got Stinger missiles, more than one, free of charge," he added.

Both Mr. Vorontsov and General al-Lizichev defended the initial decision to intervene in Afghanistan at the request of the Kabul government in December 1979, given the circumstances prevailing at the time. "This remains the official Communist Party position despite the appearance of articles in the Soviet press here arguing that it was a mistake."

### Jane's Editor Says Soviets Distrust Navy and Keep It in Home Waters

(The Associated Press) LONDON — The Soviet Union keeps its large navy bottled up in home waters because the Kremlin does not trust it, according to Richard Sharpe, editor of the new yearbook of Jane's Fighting Ships, issued Wednesday.

Mr. Sharpe attributed the stay-at-home policy in part to fear of defections by crew members, including conscripts. He recalled passing a Soviet cruiser in the English Channel while on a British warship and said that while almost the entire British crew lined the railings, on the Soviet vessel just one young sailor was visible above deck.

"I don't think the Politburo trusts its navy, and that is one of the reasons why we see so few ships of the Soviet fleet ranging the waters of the world," Mr. Sharpe said. "The United States is unchallenged at the moment."

As for the U.S. Navy, Mr. Sharpe said in a foreword to the yearbook that the "rejuvenated and formidable" American fleet was now so much better equipped and bigger than the navies of Western Europe that Washington would be unlikely to wait for orders from North Atlantic Treaty Organization headquarters in a time of tension near Europe.

### Arafat PLO F

By Ihsan... BEIRUT — Five... PALESTINE LIBERATION... YASSER ARAFAT... SECURITY IN REFUGEE... After three days... the last week. Arafat... deflated followers... leader, Colonel Sayyid... Chulika and Burj a... gas camps on the... of Beirut, off... by early this we... committee set up by... to give Colonel Mus... passage out of th... which have a comb... of about 25,000... The fighting armor... has coincided v... the same area betwe... near Shiite Moslem... those battles, pro-I... militants of Hezbol... of God, have ma... gains against the... Amal militia... The two disputes... relate, but in... division among the... labor in the Palesti... The Arafat loyalists... their positions... Burj al-Brajneh in... possible move by Syr... Shiite fighting by se... into Beirut's southern... In the Palestinian... persons have been... wounded, security of... not said... Colonel Musa, who... de parre Abu Musa... Fatah, Mr. Arafat's... tion within the PLO... In December 1983... other Syrian-backed g... nizations to drive M... 5,000 of his supporte... northern Lebanese p... The PLO chairman... porters were so sever... that the United Natio... to take them to other... Colonel Musa then... tal bases in Lebano... those in 11 Palestinia... trics in the northern... southern parts of the... Five years ago Dar... its right behind the... and Mr. Arafat was... Syria. In the last few... ever, his position in... with the Syrians has... There is a general fo... Palestinians that Mr... had an important role... uprising in the Isra... West Bank and Gaza... was recently reconciled... dent Hafez al-Assad of... Doctor Feared A... A Belgian doctor d... ter work with Pale... Hijackers of... Reportedl... New York Times... BEIRUT — Lebane... officials said they have... pted in the hijacking... sinner in April were kill... ing between opposin... this in Beirut's southern... The officials said they... were among four hij... made their way back to... leaving Algeria on April... The gunmen, believed... in all, were allowed... after releasing their hos... whereabouts of the rest... jackers were not known.

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...SSES: ...ets Give Toll ... (Continued from page 1) ...



THE OAU TURNS 25 — President Hosni Mubarak of Egypt planting a tree Wednesday in Addis Ababa, Ethiopia, where the Organization of African Unity was celebrating its 25th anniversary. On Tuesday, its ministers decided to open a Washington office for liaison with U.S. anti-apartheid groups.

# Iraqi Offensive Costs Iran Its Foothold Near Basra

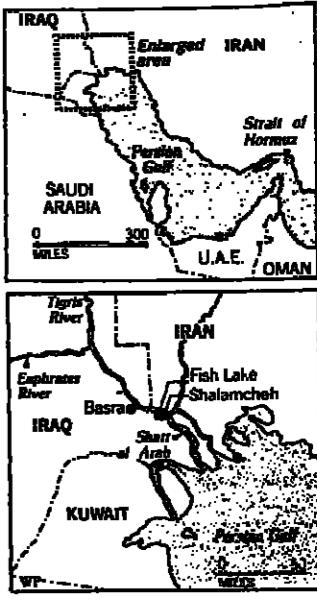
By Patrick E. Tyler  
Washington Post Service  
CAIRO — Iraq opened its second major offensive of the year on Wednesday, attacking Iranian forces dug in around Basra, Iraq's largest southern city.

By late Wednesday, Baghdad reported it had cleared a 25-kilometer-long (15-mile-long) corridor east and southeast of the city, forcing Iranian troops to retreat to the border with Iran.

Iranian Revolutionary Guard commanders made radio appeals for volunteers and reinforcements to report to the battle zone, and the Tehran radio said the retreating Iranian forces were "replying with heavy fire to the enemy artillery."

During that January 1987 offensive, Revolutionary Guard forces paid dearly for their gains. They advanced in human-wave assaults that left an estimated 70,000 Iranian troops dead or wounded.

Iraq's counterattack appears to have added to the confidence of the country's military that it can now reverse Iran's hard-won military gains with relative ease while intimidating Tehran with the threat of long-range missile strikes if Iranian forces retaliate.



# 40 Years On, Apartheid Still Divides Afrikaner Nationalists

By William Claiborne  
Washington Post Service  
JOHANNESBURG — Forty years ago this week, South Africa's National Party came to power on a platform promising the total separation of the black and white races and unification of the fractious Afrikaner nation against English-speaking South Africans who dominated the country.

Mr. Botha's remarks suggest that he feels he can afford to implement — against the ideals of his party's founding fathers and the protests of an aroused white electorate — cautious, incremental reforms designed to share some of the white minority's power with the black majority without giving it up.

Malan, ousted Jan C. Smuts as prime minister. Although race discrimination against the indigenous population dates back to the arrival of the first Dutch settlers in Cape Town in 1652, it was the National Party that codified and institutionalized the practice.

The Nationalist government is groping desperately for ways to dismantle apartheid, having concluded that it is unworkable, and Afrikaners are more divided than ever.

Also under Mr. Botha came repeal of interracial sex and marriage laws; the dropping of laws prohibiting blacks from "interfering" in political affairs of other races; the opening of beaches and movie theaters to blacks and, in 1984, the creation of a mostly powerless tricameral Parliament that included Colored and Indian chambers but no representation for blacks.

It then opened trade unions to blacks and, in a watershed reform by National Party standards, recognized the permanency of blacks in urban areas by restoring their right to own property under leasehold. Influx control and pass law restrictions were abandoned.

# Arafat Group Defeating PLO Faction in Beirut

By Ihsan A. Hijazi  
New York Times Service  
BEIRUT — Five years after being routed by opponents within the Palestine Liberation Organization, guerrillas loyal to the PLO chairman, Yasser Arafat, are regaining supremacy in refugee districts in Lebanon.

Jan Cools, 32, working with the Norwegian aid organization Norwac, has not been seen since he left the Rashidiyah refugee camp Saturday, the officials said.

Colonel Musa, who uses the nom de guerre Abu Musa, broke with al-Fatah, Mr. Arafat's guerrilla faction within the PLO, in May 1983. In December 1983 he joined with other Syrian-backed guerrilla organizations to drive Mr. Arafat and 5,000 of his supporters out of the northern Lebanese port of Tripoli.

# Doctor Feared Abducted

Hijackers of 747 Reportedly Slain  
New York Times Service  
BEIRUT — Lebanese security officials said they have received reports that two Shiites who participated in the hijacking of a Kuwaiti airliner in April were killed in fighting between opposing Shiite militias in Beirut's southern suburbs.

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ARTS / LEISURE

IN BRIEF

U.S. Study Provides Clue to Autism

BOSTON (UPI) — Many people with autism appear to have underdeveloped segments in part of their brains, providing a clue to the cause of the baffling developmental disorder, researchers reported Wednesday.

Armadillo Can Halt Embryo Growth

WASHINGTON (WP) — If a pregnant nine-banded armadillo encounters severe environmental stress, she can halt the development of her embryo for a year or two, then allow it to resume later.

Volcanic Action on Venus Is Hinted

PASADENA, California (AP) — U.S. government scientists who bounced radio waves off cloud-shrouded Venus detected blobs that may be lava flows and rings that may be volcanic crater rims, both very bright and possibly rich in fool's gold, a new study says.

New Gain Seen on Testicular Cancer

NEW ORLEANS (AP) — The extent of chemotherapy needed to cure testicular cancer can safely be reduced by 25 percent, sparing some of the misery of the effective but difficult treatment, a study has found.

'Pathways' of Brain

By Sandra Blakeslee

LOS ANGELES — Stroke victims who suffer bizarre difficulties in recognizing faces, perceiving colors or seeing objects move are helping to support a new theory that the brain is organized along parallel pathways.

The theory suggests that the visual system and perhaps other cognitive processes are divided into separate parts with distinct functions. The perceptions of form, color, depth and movement, for example, seem to be carried out in separate areas of the brain, although there is a degree of "cross-talk" between areas.

New human experiments are remarkably consistent with recent animal research, said Dr. Antonio R. Damasio, a neuroscientist at the University of Iowa College of Medicine, whose research is reported in Neurology.

The study involved prosopagnosia, an extremely rare syndrome in which people lose the ability to recognize faces, including those of close relatives and even their own mirror images. The condition became more widely known because of the book "The Man Who Mistook His Wife for a Hat," by Dr. Oliver Sacks. Prosopagnosia is caused when a stroke, a head injury or a form of encephalitis destroys small, matching areas of tissue deep in both sides of the brain.

Dr. Damasio and his colleagues asked: If visual information is carried along more or less separate channels, can prosopagnosics still see information in the faces of the people that they cannot recognize? Are some channels still working?

Four patients with profound loss of recognition participated in the study. The size and location of each patient's brain lesions were pinpointed by computer tomography and magnetic resonance imaging.

In the study, the subjects were asked to identify six facial expressions in photographs: anger, fear, surprise, happiness, disgust and sadness. They were then shown 30 photographs of strangers and asked to estimate age and sex. Finally, the four brain-damaged patients were shown photographs of people they should know.

Dr. Damasio said three patients were just as adept as the people with normal vision at assessing expressions, age and sex, but, for the most part, they could not recognize faces. The fourth, a 27-year-old architect whose brain lesions were more extensive, could recognize only happy expressions, had difficulty estimating age and identifying sex, and failed to recognize any face that should have been familiar.

The experiment demonstrates that some prosopagnosics are able to process detailed information about the faces, Dr. Damasio said. "Age is difficult to determine,"

Perceiving the Human Face: A New Theory

Experiments indicate that perceptions of closely related aspects of the face may be processed through independent channels in the brain. The key clue came from brain damaged people who could not recognize a face and yet could recognize its expressions. The open white arrows outline the beginning of a complex two-way network of brain regions believed to be necessary for recognizing facial identity. The solid black arrows outline a more restricted network for recognizing facial expressions.

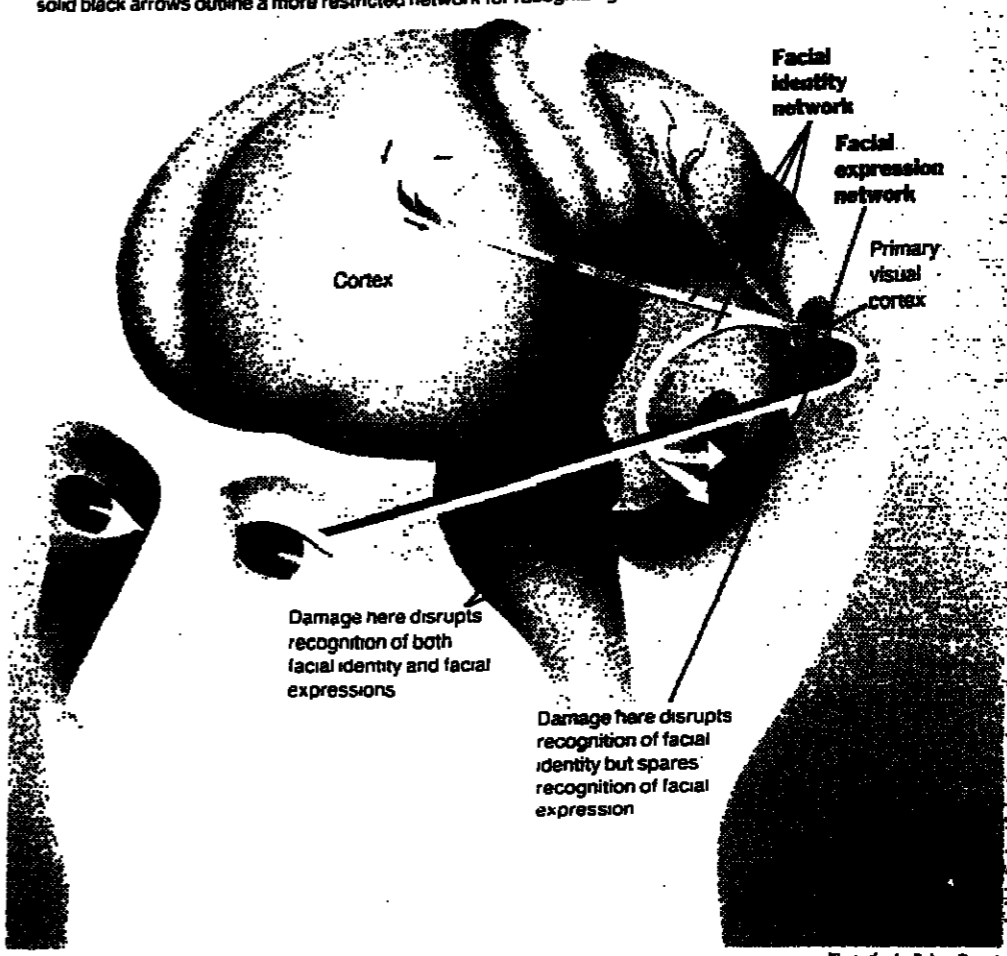


Illustration by Robert Corral

As Science Moves Into Industry, Secrecy Is Rising

By William J. Broad

SCIENTISTS, scholars and congressmen are raising alarms about what they see as major assaults on the traditional openness of science, a rise in secrecy they fear may undermine the long-term progress of science and innovation.

Dramatic increases over the last decade in scientists' ties to commercial enterprises, these experts say, are adding to a trend toward secrecy that had already been accelerated by the rising role of military contracts in scientific research.

A decade ago, as university researchers developed ties with biotechnology companies, the specter of growing secrecy brought wide predictions of great damage to science. Now, with those links well established, even expected, and commercial enterprises reaching out to more of science every day, some contend that their worst fears are coming true.

Provoking the latest concern is a White House proposal to restrict the flow of information to foreign rivals in an area of research rich with commercial potential: the newly discovered superconductors, materials that lose all resistance to electricity at higher temperatures

than materials achieved in the past. "This proposal is seriously misguided," Robert L. Park, director of public affairs for the American Physical Society, said at a recent congressional hearing.

But proponents say the benefits of expanded commercial secrecy include a better chance for rapid innovation and for upstaging rivals. "It's a fascinating issue," said Gordon T. Longeborn, an official at the Lawrence Livermore National Laboratory in California.

"Should scientific inquiry be conducted in a totally open environment? Or should we contain it a little bit, in some selected areas, long enough for American industry to take advantage of it first? That's a key question. It's permeating the whole scientific community right now."

Critics of the new commercial secrecy say the risks include a possible drop in long-term productivity if the intellectual ferment of public science fades and if speculative projects are set aside for practical ones.

"Secrecy violates the social nature of science, the idea that science is shared, that it's a cumulative activity," remarked Dorothy Nelkin, a sociologist at Cornell University who has written widely on science policy. Among the dangers, she added, were not only productivity "breakdowns" but the tarnishing of the scientific image.

As seen as profiteers, they might get less public support," she said. The ethic of open scientific publication had its inception three centuries ago. In this practice, reports of new discoveries are rushed into scholarly journals so insights can be widely shared, spurring the work of others and bringing public recognition to the scientists.

In contrast, the new commercial secrecy seeks to delay publication of research findings or to eliminate it altogether so industry can use the secret research to make innovative products no rival can match. The reward for researchers tied to such ventures is money rather than public acclaim.

SCHOLARS say the fundamental force behind the expansion of industrial secrecy is the narrowing of the gap between science and technology, between understanding nature and using that knowledge to shape the natural world through new technologies and products.

In the early days of science, discoveries often found practical application only after the passage of decades or centuries, encouraging the free flow of ideas. But today the delay can be as short as years and sometimes months. The result is that industry and inventors are increasingly eager to tap science as soon as possible and to monopolize its findings.

Recently, the expansion of industrial secrecy has spread to the U.S. system of hundreds of federal laboratories, which do everything from hybridizing wheat to making atom bombs. The links between the federal labs and industry have been encouraged by Congress and the administration, which are eager to increase American industrial innovation and productivity.

A partnership recently formed at the Los Alamos National Laboratory in New Mexico, where federal researchers agreed to collaborate on supercomputer research with the International Business Machines Corp. The joint aim is to perfect a new, more powerful machine.

Claudia Koonz, an IBM spokeswoman, said the company had the right to review Los Alamos manuscripts that might arise from the joint project and that it was "possible but highly unlikely" that it would prohibit publication.

The secrecy surrounding industry's ties to universities and federal laboratories has generally prompted mild debate. However, the White House recently tried to open the secrecy umbrella to cover not just specific partnerships with private companies but a whole class of basic research, touching off a firestorm of protest from scientists.

The effort got under way last July when the White House denied all foreign officials and scientists access to a major conference in Washington on the commercial applications of superconductivity. The move was engineered by President Reagan's science adviser, William R. Graham.

At the meeting, President Reagan hailed a "new arena for the spirit of enterprise" as he unveiled an 11-point program to help America beat foreign rivals in commercializing new superconductor breakthroughs.

Then in February, the administration sent Congress its Superconductivity Competitiveness Act, which has a provision for withholding "commercially valuable" scientific information developed in federal laboratories from release under the Freedom of Information Act, in theory hiding their work from foreign rivals.

"It touched off a brouhaha," noted Deborah Runkle, a policy analyst at the American Association for the Advancement of Science in Washington. The fear among scientists, she said, was that the act would encourage broad secrecy in a pivotal area of basic research. The act was assailed at a hearing held by Senator Patrick Leahy, Democrat of Vermont, before the Senate subcommittee on Technology and the Law.

Ms. Runkle said the science association was now considering a session at next year's annual meeting to investigate how commercial competition is affecting scientific communication and secrecy. A danger, she said, is that politicians might try to use scientific secrecy as a weapon in trade wars.

"There's a great urge to punish countries that are competing with us," she noted. "That could spill over into the science realm."

INTERNATIONAL POSITIONS

Required by the WORLD FOOD PROGRAMME at Rome Headquarters SENIOR PUBLIC AFFAIRS OFFICER The World Food Programme (the Food Aid Organization of the United Nations system) has a vacancy in Rome for a Senior Public Affairs Officer in its Information and Public Affairs Branch.

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FROM 1875...

REW

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...TO TOMORROW'S WORLD In Touch with Tomorrow TOSHIBA

Page 9

ECONOMIC SCENE

Debate on Next Collapse Evolves Into Fight for Turf

By PETER PASSELL

NEW YORK — The prose is hard to distinguish from that in a thousand other reports destined to disappear into the void: a boiler-plate introduction, recommendations for "important initiatives to be implemented in timely fashion," a slew of scholarly appendices.

But the message that the White House Working Group on Financial Markets delivered last week hit Washington like a bucket of ice water. Congress, the group concluded, cannot stop change on Wall Street and should not try.

The word to Washington to keep hands off the stock market hit like a bucket of ice water.

The report, which rejected both limits on computerized trading techniques and higher margin requirements for "derivative" securities, will not silence calls for a regulatory Valium for the stock market's jitters. It should help, however, to expose the debate over how to prevent the next collapse for what it is fast becoming: a fight for turf in the rapidly evolving market for securities.

The White House group, whose chairman was George D. Gould, undersecretary of the Treasury, had been widely expected to call for rule changes to inhibit high-speed trading techniques. Instead, the panel delivered a warning to those who would "undo the changes in financial markets or market strategies brought about by improvements in telecommunications or computer technology."

The panel dismissed the conventional wisdom that stock index options and futures are primarily the tools of speculators. Such derivative securities, the report said, allow big institutional investors to get in or out of the market at very low cost. Moreover, the panel said, index arbitrage, the process of taking opposite positions in the "cash" and derivative securities markets, is not likely to make stock prices more volatile.

Why, then, have so many on Wall Street become obsessed with the need to drive the new derivative securities into self-interest? The cynical (and generally convincing) explanation is self-interest. Two decades ago, Wall Street's bread-and-butter customers were affluent individuals, the neurosurgeons and corporate lawyers who paid high commissions for small quantities of securities. The right tailor and the right school tie mattered more than a good record as a stock picker.

TODAY, institutions buy and sell most securities, and commissions on stocks have been driven down to pennies a share. Most of the selling is wholesale rather than retail, and good manners hardly count. The October collapse did not alter the competitive realities. But it has produced an alliance of convenience between the remnants of the old guard and elements of the new.

"Full service" brokers, who rode the great bull market to profitability by rapid turnover of their retail clients' accounts, have been hit badly. So, too, have stock mutual funds.

Hoping to persuade smaller investors that it was safe to come back, they persuaded the New York Stock Exchange to limit "index arbitrage" access to the exchange's automated trading system. They used boycott threats to stop arbitrageurs from trading for their own accounts. And they have been lobbying Congress for higher margin requirements on derivative securities that would bring business back to the cash market for stocks.

Hence the immediate political significance of the White House working group's report. It is likely to toughen congressional resistance to any quick fix for investor confidence.

By the standard view, this represents an unexpected victory for the derivative securities markets in Chicago, which have been on the defensive since the crash. It is that, but it is also a victory for prudent government. The report will force Washington to think twice before taking sides in Wall Street's civil war.

Tenneco To Sell Oil Unit

Expected Price Up to \$8 Billion

Compiled by Our Staff From Dispatches

HOUSTON — Tenneco Inc. offered Wednesday to sell its oil and gas business to reduce debt, and analysts said the price could be as high as \$8 billion.

Tenneco, a conglomerate with revenue of \$14.8 billion in 1987, said its Tenneco Oil Co. subsidiary had sales of \$3.3 billion and operating income of \$233 million in the year. Analysts suggested that such cash-rich oil companies as Exxon Corp., Royal Dutch/Shell Group or Pennzoil Co. might bid for the Tenneco unit.

Tenneco said that in addition to reducing debt, proceeds from the sale might be used to repurchase shares of the company's common stock. Standard & Poor's Corp., the rating agency, upgraded Tenneco's \$6.6 billion in debt as a result of the sale decision.

The sale of oil and gas operations would leave Tenneco with an interstate natural gas pipeline and a portfolio of industrial businesses.

Tenneco said it would maintain its annual dividend at \$3.04 a share. It also said its board had adopted a stockholder rights plan to deter coercive takeover tactics.

Tenneco's stock rose \$4.25 to close at \$45.625 a share Wednesday on the New York Stock Exchange.

Tenneco executives said they would consider selling Tenneco Oil either as a whole company or in segments. The unit is engaged in exploration and production as well as refining and marketing.

James L. Ketelsen, Tenneco's chairman and chief executive, said the unit was being sold "to unlock its underlying value now rather than waiting an indeterminate period for higher oil and gas prices."

"The new Tenneco will be a financially stronger and more focused company," he said. "With significantly reduced debt and capital expenditure needs, the company's earnings should improve materially."

Four of Tenneco's industrial businesses are market leaders with strong earnings growth, he added. They are Tenneco Automotive, Packaging Corp. of America, Newport News Shipbuilding and Albright & Wilson, an international specialty chemical manufacturer.

(Reuters/UPI)

A Steel Superstructure in Japan

Cost-Cutting Has Spurred Industry Boom

By Patrick L. Smith

INTERNATIONAL HERALD TRIBUNE

TOKYO — When Japan's leading steel companies announced sweeping plans to restructure their operations a year ago in response to rising costs and falling exports, diversification was held out as the industry's last, best hope for survival in a suddenly uncertain future.

The nation's steelmakers, pinched by the high yen's effect on sales abroad, began launching dozens of subsidiaries, ranging from a mushroom farm to myriad high-technology ventures. A newspaper cartoonist pictured Nippon Steel Corp., the industry leader, as evolving into a cross between Fujitsu, the giant computer concern, and Mitsubishi Real Estate, a leading Tokyo property company.

But when the Big Five, as they are known here, report their annual results on Friday, new businesses will be entirely beside the point. More than anything, analysts say, the numbers will reflect rigorous cost-cutting efforts in the past year, favorable market conditions and the industry's determination to continue competing in its core business.

After operating losses of 468 billion yen (\$3.75 billion) last year, the Big Five — Kawasaki Steel Corp., Sumitomo Metal, Nippon Kokan, Kobe Steel Ltd. and Nippon Steel Corp. — are expected to show profits of 35 billion yen on steel operations for the financial year ending March 31. Sales of shares, land and other assets are likely to add 80 billion yen or more to that figure.

Prospects for the current year, financial analysts and company executives say, are even brighter. At Kawasaki Steel, which is viewed widely as the most thoroughly restructured of the Big Five, operating profit is forecast at 80 billion yen this year, a four-fold increase from what the company is expected to report Friday for last year.

"Terrific" is the appropriate word, said Makoto Hirayama, a steel analyst at Nomura Research Institute. "It's a textbook case in how to rationalize integrated steel companies."

By the early 1990s, industry analysts say, Japanese producers may well achieve the two ambitious targets they set last year: competing effectively with South Korea, thus fending off



A rolling mill control room at Nippon Steel's Kimitsu plant.

most serious threat, and raising profit margins from a historic 8 percent to about 15 percent.

A move into higher-quality products, which the South Koreans cannot produce, is part of this strategy. Specialty steels are expected to account for a quarter

own a U.S. steel company when it completes its purchase of the Pittsburgh-based National Steel Co. in a few months.

Diversification out of steel production is clearly continuing, chiefly because it is seen as a long-term necessity. But producers are now coming to recognize that other industries are not necessarily less bruising than steel has been, particularly for newcomers.

Nippon Steel, for instance, which has gone farthest ahead, has already launched 34 new units and entered into 10 joint ventures. Although the company is adhering to its announced goal of reducing steel operations to 50 percent of revenues by 1995, doubts are already apparent.

"Diversification is a vision, not a concrete plan, and it's already obvious it will be difficult," said Yoshio Sasaki, managing director of Nippon Steel. "We're now considering just how close we can get to our targets."

That realization has been one factor in shifting the industry's attention back to its core operations in recent months. More immediate, however, has been an unexpected surge in domestic demand for basic steel products.

Braced for their second consecutive year of declining output, producers saw production rise to 102 million metric tons in the

See STEEL, Page 11

Britain Clears Nestlé's Offer For Rowntree

By Warren Getler

INTERNATIONAL HERALD TRIBUNE

LONDON — The British government, rejecting protectionist arguments, said Wednesday that it would allow Nestlé SA of Switzerland to proceed with its £2.1 billion (\$3.9 billion) takeover bid for Rowntree PLC, Britain's second largest candy maker.

The decision by the Department of Trade and Industry not to refer the hostile bid, of 890 pence per share, to the Monopolies and Mergers Commission for review immediately triggered a £2.2 billion, or 940 pence per share, bid from Jacobs Suchard AG.

Suchard, another Swiss food company, owns a 29.9 percent stake in Rowntree. The government also decided not to refer its holding for review.

Rowntree has rejected the bid by Nestlé and indicated that it wants to remain independent. It stock gained 83 pence to £1,000 pence on the London Stock Exchange. Analysts said the gain indicated that Nestlé planned to top Suchard's bid.

Lord Young, the British trade and industry secretary, said Nestlé's proposal did not raise competitive issues within the British candy market. Rowntree accounts for about 26 percent of the market, but Nestlé holds only about 3 percent and Suchard has around 7 percent.

Worldwide, Rowntree had sales of £1.4 billion last year. Suchard is more than one and a half times as big, while Nestlé's revenue is almost 10 times that of the British company.

Nestlé, which launched its offer a month ago, owns 16.1 percent of Rowntree. That means that at least 46 percent of Rowntree already is the hands of foreign investors. Analysts said they were convinced that Rowntree would fall to one of the two Swiss multinationals, but at a price above 1,000 pence a share.

"The market had expected that Suchard might come in with a stab around £10," said Christopher Wheeler, an analyst with Phillips & Drew, a London brokerage house owned by Union Bank of Switzerland. "The fact that Suchard has come in lower suggests that the final bidding might end up around £10 or just above."

"I think you have to back Nestlé as the prospective owner because they're the bigger and financially stronger company," he said. "They've got more firepower."

Suchard's 29.9 percent stake in Rowntree represented the most it could hold before being obliged to launch a full bid under British law. Within minutes of the government's announcement that it had cleared Nestlé's offer and Suchard's holding, Suchard said it had requested talks with Rowntree's board with the intention of making a friendly offer at 940 pence per share.

Suchard's offer is not expected to receive board approval from Rowntree, which in recent weeks has repeatedly asserted its intention to remain independent.

On Wednesday, Rowntree's chairman, Kenneth Dixon, again rejected the Nestlé offer, saying his company "remains firmly opposed to the bid, which fails to reflect the true value of Rowntree's brands."

Earlier this month, Mr. Dixon said, "Nestlé has nothing Rowntree needs: not its money, not its R&D, not its marketing and not its distribution."

Meanwhile, shares in Cadbury Schweppes PLC, Britain's largest confectioner and a rumored takeover target, also gained on Wednesday, rising 9 pence to 370 pence. The U.S.-based General Cinema Corp. increased its stake in the British candy and beverages company to 18.4 percent from 17.7 percent, and there was speculation that it may bid for the entire company.

Analysts had thought that Suchard might seek to buy Cadbury if it lost interest in Rowntree.

In response to the increased stake, Cadbury executives said they would not welcome a General Cinema role in managing the company. Similarly seeking to maintain their independence, Rowntree executives and employees have joined with opposition members of Parliament — and a contingent of 60 Conservative members — in a campaign to keep Rowntree an independent and British company, something to which the York-based confectioner has been accustomed since its establishment as a limited-liability company in 1897.

Rowntree's roots stretch back to 1725, when a Quaker, Mary Tuke, opened a small cocoa shop in York. Over the course of two and a half centuries, that business would evolve into the world's fourth largest confectioner. Cocoa, the story runs, was the Quakers' answer to a growing problem of alcoholism.

See CHOCOLATE, Page 11

Currency Rates

Table with columns for currency, rate, and date (May 25). Includes entries for Amsterdam, Brussels, Frankfurt, London, Milan, New York, Paris, Tokyo, Zurich, and Yen.

Table with columns for currency, rate, and date (May 25). Includes entries for various international currencies like Australian dollar, Canadian dollar, Hong Kong dollar, etc.

Table with columns for currency, rate, and date (May 25). Includes entries for various international currencies like British pound, Swiss franc, etc.

Table with columns for currency, rate, and date (May 25). Includes entries for various international currencies like Japanese yen, etc.

Table with columns for currency, rate, and date (May 25). Includes entries for various international currencies like Deutsche mark, etc.

Table with columns for currency, rate, and date (May 25). Includes entries for various international currencies like French franc, etc.

Table with columns for currency, rate, and date (May 25). Includes entries for various international currencies like Italian lira, etc.

Table with columns for currency, rate, and date (May 25). Includes entries for various international currencies like Spanish peseta, etc.

Table with columns for currency, rate, and date (May 25). Includes entries for various international currencies like Dutch guilder, etc.

Suddenly for Pernod Ricard, Things Are Not Going Better With Coke

By Jacques Neher

SPECIAL TO THE INTERNATIONAL HERALD TRIBUNE

PARIS — After almost 40 years of apparently smooth relations, Coca-Cola Co. and Pernod Ricard SA, Coke's French bottler, find themselves close to divorce.

At issue is Pernod's belief that it has been betrayed by the world's leading soft drink company. After spending long, profitable decades teaching the French to buy the most American of products, Pernod contends that the Atlanta-based company is seeking to take over the business for itself, now that it is profitable.

For its part, Coca-Cola believes the French are not drinking enough Coke, and the company blames Pernod for that shortcoming.

While Coca-Cola hints that reconciliation might be possible, Pernod officials think the relationship is ruined.

A Pernod official says the core of the conflict is Coke's desire "to take over the French market."

The only thing left to discuss, Pernod says, is how much Coke must pay in order to unblock itself from licenses that give Pernod rights to bottle and market the



Patrick Ricard

Coke brand throughout most of France until the end of the century. Analysts say they think Pernod has sought 1.5 billion to 2 billion francs (\$260 million to \$348 million) as compensation.

The conflict, now in its fifth month, could harm Coke sales this summer in the French market,

where it largely overshadows its chief competitor, Pepsi-Cola, which is distributed by Source Perrier SA.

"The sooner we separate, the better," said the Pernod official, who asked not to be named. "We have 900 people working to sell the brand in France and they're all asking questions about their future, which means they can't be selling well."

The feud also threatens the long-awaited launch of sugar-free Coke in France. A French law forbidding the use of artificial sweeteners in food products was lifted earlier this year, opening the way for the development of new products in France.

To emphasize that there is no turning back, Pernod earlier this month filed suit in a Paris commercial court, charging Coca-Cola with improperly breaking its legal commitments to Pernod. Coca-Cola has not yet responded.

The Coke-Pernod battle surfaced in January, when Patrick Ricard, Pernod's chairman, announced that negotiations had begun to work out an amicable separation. The problems, he said, concerned "diverging points of

view on the ways and means of developing" the Coke brand in France.

Pernod, a family-controlled beverage company with 1987 sales of 10.7 billion francs, has been Coca-Cola's main bottler in France since 1949. Its product line also includes the anti-flavored liquors, Pernod and Ricard, Wild Turkey bourbon and Orangina, an orange soft drink

that it recently launched in the U.S. market.

Two years ago, a Pernod executive said, Coke "suddenly came to us and said we weren't spending enough money on their brand."

Coke provides the cola syrup to Pernod and matches the bottler's marketing and advertising budget.

The complaint was surprising to Pernod, especially since Coke sales

had been doubling every five years under the French bottler, and the brand had captured around 80 percent of the cola market in France, against 20 percent for Pepsi and other brands combined.

Coca-Cola, the Pernod official said, then presented an "accelerated marketing plan" that would have doubled Coke sales in four

See COKE, Page 11

Interest Rates

Table with columns for currency, rate, and date (May 25). Includes entries for Eurocurrency deposits, 1-month, 3-month, 6-month, 1-year.

Table with columns for currency, rate, and date (May 25). Includes entries for U.S. Money Market Funds, 1-month, 3-month, 6-month, 1-year.

Table with columns for currency, rate, and date (May 25). Includes entries for Asian Dollar Deposits, 1-month, 3-month, 6-month, 1-year.

Table with columns for currency, rate, and date (May 25). Includes entries for Gold, 1-month, 3-month, 6-month, 1-year.

Investors World advertisement: GUARANTEED INCOME ON THE STOCK MARKET? Includes text about alternative share program and contact information for Investors World, Le Mercator, Pontvieux, MC 98000, Monaco.

CORUM advertisement: Designs on time. Individually made with a degree of skill and care that belongs to a former time. Includes image of a watch and contact information for Corum, Romulus epitomises this with its ultra-slim solid gold case and 'Roman hours' which are hand engraved on the rim.

NYSE Most Actives table with columns: Vol., High, Low, Last, Chg. Includes stocks like UtaPl, Tropic, and others.

Market Sales table with columns: NYSE 4 p.m. volume, NYSE prev. close, Amex 4 p.m. volume, etc.

NYSE Index table with columns: High, Low, Close, Chg. Includes Composite, Industrials, and Utilities.

Wednesdays NYSE Closing logo with 'Via The Associated Press' text.

AMEX Diary table with columns: Close, Prev. Includes Advanced Declined, Unchanged, etc.

NASDAQ Index table with columns: Class, Chg., Prev. Includes Composite, Industrials, etc.

AMEX Most Actives table with columns: Vol., High, Low, Last, Chg. Includes stocks like Dornier, FAIR, etc.

Dow Jones Bond Averages table with columns: Bonds, Utilities, Industrials, Close, Chg.

NYSE Diary table with columns: Close, Prev. Includes Advanced Declined, Unchanged, etc.

Odd-Lot Trading in N.Y. table with columns: Buy, Sell, % of NY. Includes dates from May 24 to 26.

Dow Jones Averages table with columns: Open, High, Low, Last, Chg. Includes Industrials, Transp., etc.

Standard & Poor's Index table with columns: High, Low, Close, Chg. Includes Industrials, Transp., etc.

NASDAQ Diary table with columns: Close, Prev. Includes Advanced Declined, Unchanged, etc.

AMEX Stock Index table with columns: High, Low, Close, Chg. Includes volume and price changes.

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

NYSE Mixed After Late Selling

United Press International NEW YORK — Prices on the New York Stock Exchange ended mixed Wednesday as investors worried over the outlook for the economy sparked a sell-off late in the day, erasing modest gains the market clung to for most of the session. The Dow Jones industrial average fell 1.16 to close at 1,961.37. The Dow had been up by more than 11 points early in the day. It rose 21.05 on Tuesday. Advances edged declines by about a 7-6 ratio. Volume was 138.31 million shares, slightly lower than the 139.93 million shares traded Tuesday. The market basically did nothing all day, said Jay Goldinger of Capital Insights Inc., an institutional brokerage based in Beverly Hills, California. "and then at the close sold off on concerns the GNP number will be a little stronger than would be liked." The revised first-quarter gross national product data is due out Thursday. Broader market indexes showed modest gains. The New York Stock Exchange composite index rose 0.24 to 143.77. Standard & Poor's 500-stock index gained 0.25 to 253.76. The price of an average share gained 5 cents. Jim Andrews, first vice president in charge of institutional trading at Janney Montgomery Scott Inc. in Philadelphia, attributed early gains to a continuation of Tuesday's bargain hunting. Mr. Andrews said the market was approach-

ing a technical support level of 1,970 to 1,990, as measured by the Dow. "I think if we can hold in here we'll be fine for a while," he said. "We still have to characterize the rally as a technical rally until proven otherwise," said Ralph Bloch, chief market analyst at Raymond, James & Associates in St. Petersburg, Florida. "So far the quality of the rally in terms of volume and breadth is relatively lackluster." In recent weeks the stock market has been plagued by worries about high inflation and interest rates, confirmed by a steady stream of government reports showing an economy expanding at a higher than expected rate. Mr. Bloch said the "real question is whether the sell-off has concluded or not, and the evidence is still out as far as I'm concerned." Utah Power & Light was the most active NYSE-listed issue, up 3/4 to 31. It was followed by Tenneco, up 4/8 to 45. Tenneco announced plans to sell its oil and gas business. Upjohn was third, ahead 2 1/4 to 31.4. Among the blue chips, General Electric lost 1/4 to 39.9. General Motors fell 1/4 to 29.3 and IBM ended down 1/4 at 108 1/4. AT&T lost 1/4 to 26 1/4. In other technology issues, Cray Research was up 1/4 to 75 1/4. Texas Instruments rose 1/4 to 43 1/4 and Digital Equipment finished unchanged at 102 1/4.

Large table of stock prices (A) with columns: 12 Month High, Low, Stock, Div. Yld. PE, 52 Wk High, Low, Close, Chg.

Large table of stock prices (B) with columns: 12 Month High, Low, Stock, Div. Yld. PE, 52 Wk High, Low, Close, Chg.

Large table of stock prices (C) with columns: 12 Month High, Low, Stock, Div. Yld. PE, 52 Wk High, Low, Close, Chg.

Large table of stock prices (D) with columns: 12 Month High, Low, Stock, Div. Yld. PE, 52 Wk High, Low, Close, Chg.

Large table of stock prices (E) with columns: 12 Month High, Low, Stock, Div. Yld. PE, 52 Wk High, Low, Close, Chg.

Large table of stock prices (F) with columns: 12 Month High, Low, Stock, Div. Yld. PE, 52 Wk High, Low, Close, Chg.

Large table of stock prices (G) with columns: 12 Month High, Low, Stock, Div. Yld. PE, 52 Wk High, Low, Close, Chg.

Large table of stock prices (H) with columns: 12 Month High, Low, Stock, Div. Yld. PE, 52 Wk High, Low, Close, Chg.

Large table of stock prices (I) with columns: 12 Month High, Low, Stock, Div. Yld. PE, 52 Wk High, Low, Close, Chg.

Riney advertisement with text: 'By Philip H. NEW YORK... the account... on the stock...'

Saatchi & Saatchi advertisement with text: 'LONDON — Saatchi & Saatchi... advertising group...'

INTERNET advertisement with text: 'The new...'

Handwritten Arabic text: 'مكاتبنا في الرياض'

BUSINESS ROUNDUP

Midi Stock Soars on Generali Report

By Jacques Neher
Special to the Herald Tribune
PARIS — Compagnie du Midi's stock soared 9 percent Wednesday after an official of Assicurazioni Generali SPA made a statement...

The price closed at 1,550 francs. Trading volume was heavy. At his noon news conference, Mr. Rosa had said that Generali and its backers had accumulated a 20.86-percent stake in Midi...

tion to go as far as a blocking minority. He did reiterate, however, that Generali and two allied investors controlled almost 21 percent of Midi's stock...

American Airlines Sets Order for Boeing 757s

Compiled by Our Staff From Dispatches
NEW YORK — In a major boost for Boeing Co.'s fuel-efficient 757 passenger planes, American Airlines said Wednesday that it would buy up to 100 of the jetliners...

falling fuel prices have kept the planes cost-efficient. Switching to new aircraft also requires extensive new training systems for pilots...

With a minority blocking stake, Generali would be able to thwart the merger at a special stockholders meeting set for June.

American will take delivery of the planes starting in 1989. They are primarily designed as replacements for the aging 737s and 727s in American's fleet.

An Allegis spokesman in Chicago would neither confirm nor deny that such an order was pending, or say whether Allegis was negotiating with Boeing.

Analysts said Generali would have little problem assembling a blocking stake and some suggested that it might already possess such a holding with the help of undeclared allied investors.

The airline said it had chosen Rolls-Royce engines to power the twin-engine 757 jets. Rolls-Royce PLC said the order for its RB-211 engines was worth more than \$1.86 billion.

So far this year, Boeing has received orders for 40 757s. From the time Boeing announced development of the plane in 1978 through the end of 1987, just 239 of the planes had been ordered.

Orders are indicators of future business for Boeing, since the company is not paid by customers until planes are delivered.

Boeing's stock price, which had risen strongly in recent days on speculation that the American purchase would be announced, fell 37.5 cents on Wednesday to \$53.50 on the New York Stock Exchange.

Paul Nisbet, an aerospace analyst at Prudential-Bache Securities Inc. in New York, said the American order meant the time had come for an aircraft program "that was the fly in the ointment" for Boeing, he said.

Legislation provided that for swap proposals presented by July 21, 1987, the creditor got an equity stake equal to the debt's face value.

The order is Boeing's second major one this month. International Lease Finance Corp. of Los Angeles said last week that it would buy 100 aircraft and options for 20 others, valued at more than \$4 billion.

New orders, he said, may turn "what has been a continuous-loss program into what will be a continuous full-production line."

Accordingly, there is no question of retreating on the rationalization programs the Big Five have undertaken along with their drive to diversify. By cutting employment as much as 60 percent over the next five years, output per capita is fore-

cast to rise 90 percent from 1987 levels, to 620 metric tons.

The industry also intends to increase its average export price by selling abroad more selectively. In particular, it now appears prepared to forgo much of the China market, where the industry incurred 180 billion yen of the losses reported a year ago in an effort to maintain capacity usage.

The final component, which steelmakers are only now positioned to address, is to reduce financial charges on combined debts of 6.26 trillion yen. Later this year Nippon Steel is expected to announce a Eurobond issue of some \$1 billion, which would be the largest corporate financing in history, and competitors are expected to follow suit.

But airlines have been slow to replace their older aircraft because

Steel is said to be a declining industry," said Mr. Sasaki of Nip-

son Steel. "We simply don't think it is."

CHOCOLATE: Nestlé Bid for Rowntree Is Cleared

(Continued from first finance page)
the English working class of the day. The company has maintained a paternalistic attitude toward its workers and is active in charitable causes.

Today's Rowntree, maker of such popular brands as After Eight mints and Kit Kat bars, went as far as sending boxes of chocolates to all 650 members of Parliament earlier this month to whet the appetite of politicians for its cause.

John Banham, director general of the Confederation of British Industry, said, "Lord Young's decision, though understandable, is regrettable because it could be taken to signal 'open season' on British companies by bid-proof competitors, with potentially very serious

BAT Reports 14% Rise In First-Quarter Profit

LONDON — BAT Industries PLC reported Wednesday that first-quarter pretax profit rose 14 percent, to £283 million (\$528 million) from £248 million a year earlier.

Revenue, based on a constant rate of exchange, rose to £4.31 billion from £3.81 billion a year earlier. Revenue for the quarter at closing exchange rates was £3.97 billion.

Mr. Sheppard was in Paris for a Grand Met news conference. Grand Met shares last traded at 496 pence, off

COKE: 40-Year Relationship Has Run Into Trouble

(Continued from first finance page)
are in the business and you are happy with us, or we separate."

In Atlanta, a Coca-Cola spokesman declined comment. However, a company source familiar with the dispute denied that Coca-Cola wanted to take over the business. He said that while the company in recent years has undertaken to "help recapitalize" bottlers in the United States and abroad, it has most often accepted a minority position in the ventures.

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Pepperell Told By Farley of Stake Interest

WEST POINT, Georgia — West-Point Pepperell Inc., the largest U.S. textile maker because of a recent acquisition, said Wednesday it had been notified that Farley Inc. might seek to purchase up to 25 percent of its stock.

Pepperell's stock closed up \$4 to \$35.375 a share on the New York Stock Exchange. The privately held Farley is the majority owner of Fruit of the Loom Inc.

Chase Enters Debt Swap Pact

SAO PAULO — The U.S.-owned Banco Chase Manhattan SA will sign an agreement soon to convert \$240 million of Brazilian debt into investments in Autolatina.

STEEL: Cost-Cutting Has Been Key to Boom in Japan

(Continued from first finance page)
year to March 31, a gain of 6 percent and 8 million tons above most predictions. Several days ago the Iron and Steel Federation, the national industry association, raised its production forecast for the current year from 97 million metric tons to more than 100 million.

A Downside in Grand Met's High Profile

PARIS — Grand Metropolitan PLC of Britain, a food and beverage company with a large number of brand names and marketing agreements that do not appear on its balance sheet, might become a takeover target, the company's chairman, Allen Sheppard, says.

NTT Net Profit Soared 64% in Latest Year

TOKYO — Nippon Telegraph & Telephone Corp. said Wednesday that its net profit soared 64.3 percent in the latest financial year, attributing the gain to cost-cutting and brisk telecommunications sales.

lowered its telephone fees and competition from new companies will be fierce," he said.

Japanese Electronics Makers Report Gains

TOKYO — Three big Japanese electronics companies reported on Wednesday large profit increases for the latest fiscal year, citing factors such as strong computer sales and brisk domestic demand.

increased 30.7 percent to 87.03 billion yen from 66.61 billion yen, and pretax, or current, income rose to 74.18 billion yen from 52.29 billion yen, a gain of 41.9 percent.

BUSINESS SCHOOL LAUSANNE SATURDAY M. B. A. Earn an MBA by taking our Saturdays only program.

Indigo Take-off A recent 1 billion dollar bond offering will yield 8 percent and Indigo says the continued expansion of Advanced Micro Devices and Western Digital will drive from a total of \$1 billion in time.

Asia Pacific Growth Fund Weekly net asset value on 20-5-1988 U.S. \$38.07

Tokyo Pacific Holdings N.V. Weekly net asset value on 23-5-1988 U.S. \$29.22

Banque Vernes & Commerciale de Paris On May 19th 1988, the annual meeting of shareholders met under the chairmanship of Mr. Fabrizio GIANINI and approved the motions proposed by the Board of Directors.

Knoedler-Modarco Ltd. (Successor to the business of Knoedler-Modarco S.A.) Notice of Annual General Meeting of Shareholders to be held on June 1st, 1988.

BFCE continues to diversify to maintain growth: The Bank shows strong improvement in interbank and treasury operations.

A NEW GUIDE TO THE INS AND OUTS OF THE CITY OF LONDON. London City Airways fly to Amsterdam, Brussels and Paris. But wherever your next business meeting is, you can save time when you fly with us.

Wednesday's NYSE Closing. Tables include nationwide prices up to the closing ring on Wall Street and do not reflect late trades elsewhere.

(Continued) NYSE listings including various stocks like IBM, AT&T, and others with their respective prices and changes.

NYSE High-Lows. Table listing high and low prices for various stocks such as IBM, AT&T, and others.

12 Month High Low Stock. Table listing 12-month high and low prices for various international stocks.

12 Month High Low Stock. Continued table listing 12-month high and low prices for various international stocks.

12 Month High Low Stock. Continued table listing 12-month high and low prices for various international stocks.

12 Month High Low Stock. Table listing 12-month high and low prices for various international stocks.

12 Month High Low Stock. Continued table listing 12-month high and low prices for various international stocks.

12 Month High Low Stock. Continued table listing 12-month high and low prices for various international stocks.

U.S. Futures. Via The Associated Press. Table listing various U.S. futures contracts like Grains, Soybeans, and others.

U.S. Futures. Continued table listing various U.S. futures contracts like Soybean Meal, Cattle, and others.

U.S. Futures. Continued table listing various U.S. futures contracts like Lumber, Cotton, and others.

U.S. Futures. Continued table listing various U.S. futures contracts like Gold, Silver, and others.

Food. Table listing various food commodities like Coffee, Sugar, and others.

Food. Continued table listing various food commodities like Orange Juice, Cocoa, and others.

Metals. Table listing various metal commodities like Copper, Nickel, and others.

Financial. Table listing various financial instruments like U.S. Treasury Bills, Treasury Bonds, and others.

EURODOLLARS (IMM). Table listing Eurodollar rates for various maturities.

EURODOLLARS (IMM). Continued table listing Eurodollar rates for various maturities.

EURODOLLARS (IMM). Continued table listing Eurodollar rates for various maturities.

EURODOLLARS (IMM). Continued table listing Eurodollar rates for various maturities.

Japanese Investors Were Net Buyers of Foreign Stocks in April

TOKYO — Japanese investors bought a net \$146.31 million in foreign stocks in April through domestic and foreign securities houses here, compared with net sales of \$335.42 million in March, the Japan Securities Dealers Association said Wednesday.

Gross purchases were \$655.50 million, down from \$734.58 million in March, while gross sales were \$509.19 million, down sharply from \$1.06 billion in March. The securities dealers association's report was based on its monthly survey of 64 resident brokers, both foreign and Japanese.

Currency Rates Pinch Profits at Courtaulds

LONDON — Courtaulds PLC, Britain's biggest textile manufacturer, said Wednesday that its pretax profit for the past financial year had risen 9.7 percent to £220.6 million (\$411.9 million), but that the result was hurt by currency fluctuations.

Sales, also held back by exchange rate movements, grew 7 percent to £2.42 billion in the year that ended March 31, the company said. Per-share earnings also grew 7 percent, to 40.9 pence. Courtaulds said its profit was £15 million lower than expected and its sales £127 million below expectations.

Icahn-Texaco Talks End; Bid Reported Imminent

WHITE PLAINS, N.Y. — Texaco Inc. said Wednesday that it had ended talks with its largest stockholder, the investor Carl C. Icahn, because it could not favor him at the expense of other stockholders.

After the announcement, Wall Street sources said Mr. Icahn would launch an offer for Texaco. The sources said the offer would probably be made late Wednesday. Texaco closed up \$1 at \$46.75 on the New York Stock Exchange. The announcement came after the close of trading.

Hanson's Earnings Rise 14%

LONDON — Hanson PLC reported Wednesday that pretax profit had risen 14 percent to £356 million (\$663 million) for the half year that ended March 31, a performance that both the company and analysts called impressive.

Hanson's shares rose 1 to close at 132 pence on the London Stock Exchange, but analysts said they were confident the British-based industrial conglomerate was set for long-term growth. One said: "It's a company which is looking towards the future, and that's not always appreciated in this market."

Suzuki's Fiscal Year Sales and Profits Up

TOKYO — Suzuki Motor Co., a major Japanese maker of small cars and motorcycles, said Wednesday that its profit before taxes jumped 21 percent to 20.26 billion yen (\$162.1 million) in the financial year ending March 31.

Sales edged up 2 percent over the previous period to 759.55 billion yen, led by car models larger than 300cc. They are expected to rise at least 2.6 percent in the current year amid brisk domestic demand. In central Madrid and Barcelona, you can now have the International Herald Tribune morning publication and pay no more than the regular newsstand price.

Advertisement for 'كازمان النجيب' (Kazman al-Najib) featuring a large graphic and text in Arabic, with contact information for the International Herald Tribune.

# Riney and Saturn: Lilliputian Wins Giant's Share

By Philip H. Dougherty  
New York Times Service

**NEW YORK** — Hal Riney & Partners, the advertising agency that won the multimillion-dollar Saturn account from General Motors Corp., could have been voted the least likely competitor to succeed — on size alone.

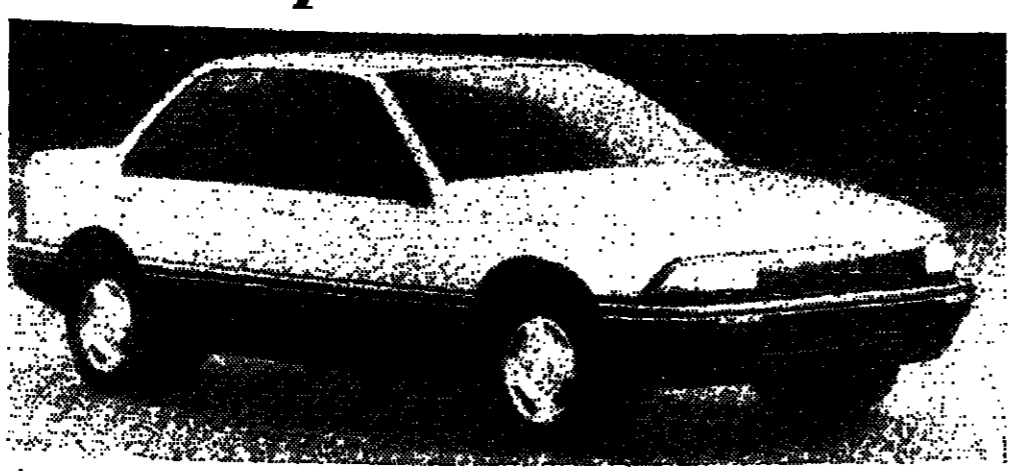
Big accounts generally demand big agencies. Riney has only \$200 million in billings and a staff of 185 among offices in San Francisco, Chicago and New York.

But Saturn management seems to be doing the unexpected, and that is Hal Patrick Riney's specialty. He was the man behind the folksy Burtles & Jaymes wine cooler television commercials in the United States and the elegant wedding spots for Gallo wines.

The stunning television work that helped put President Ronald Reagan back into the White House? Much of that came from Riney people.

In fact, Mr. Riney is becoming a Paul Bunyan figure in advertising, not only writing some of the best advertising around on his old Underwood typewriter but also frequently using his own soft speech for the voice-over.

The legend can only grow with the Saturn victory.



A prototype of the General Motors Saturn, which Hal Riney & Partners has been chosen to sell.

Mr. Riney, 55, and his people have been on their own for less than two years. He bought his agency from Ogilvy Group, which had set him up in business 10 years before.

His clients include Campbell Soup for its Swanson Frozen Food brand, Nestlé, Alamo Rent A Car, New Zealand Kivifruit Authority, the Oakland Athletics baseball team, Shalkee Corp., the corporate account of Anheuser-Busch, Austin Rover Cars for its Sterling and Amex Life Assurance Co.

The agency lost a major share of its billings when it resigned the account of E&J Gallo Winery last year. Mr. Riney said the account billed about \$57 million.

Mr. Riney graduated from the University of Washington in 1954 and went to work two years later for Batten, Barton, Durstine & Osborn as an art director and writer, a rare combination of talents.

He was working for Borsford Ketchum in San Francisco, his second agency stop, when Ogilvy & Mather approached him about opening a West Coast office.

He has won a Grand Prix at the Cannes Commercial Film Festival, 13 Clio's and nine Adly Awards from the American Advertising Federation, according to the 1986-87 Who's Who in America.

Not long ago large advertising accounts were not to be found on the West Coast. The Japanese auto companies changed that when they selected agencies near their ports of entry.

Now Riney, with the car that is being built specifically to cope with Japanese imports, has pulled some big business away from the Eastern crowd.

# Philippines Posts 7.5% Growth Rate

**Manila** — The Philippines' gross national product grew at a 7.5 percent annual rate during the first quarter, compared with 5.53 percent a year earlier, but President Corason C. Aquino warned Wednesday that injections of capital were needed to sustain growth.

The National Statistical Coordination Board said in a preliminary report that gross domestic product grew by 5.39 percent in the period, compared with 7.43 percent growth a year earlier. Both GNP, which measures the total value of goods and services, and GDP, which excludes income from investment abroad, were stated in inflation-adjusted terms.

Mrs. Aquino, speaking at a capital markets conference in the afternoon as the government released its report, said the consumer-led economic revival was straining productive capacity.

"To sustain the present growth we must generate more capital," she said.

Mrs. Aquino said capital markets in the Philippines had not been properly utilized and an overemphasis on short-term capital was creating interest rate instability and inhibiting long-range planning. "We need long-term capital. We need liquidity for investors. We need stable interest rates," she said.

Prospero Castro, the coordination board's assistant secretary-general, said the industrial sector led the economic expansion in the first quarter with aggregate growth of 9.67 percent, compared with 10.69 percent growth a year earlier.

Personal consumption expanded by 5.25 percent in the three-month period, up from 3.95 percent.

# Australia to Cut Corporate Tax Rate

**Economic Package Aims at Spurring Competitiveness**

**Canberra**, Australia — The Australian government announced Wednesday a wide-ranging package of economic revisions, including a 10 percent cut in corporate tax and tariff reductions, aimed at making the country more competitive in world markets.

Treasurer Paul Keating told Parliament that the government forecast a 3 billion Australian dollar (\$2.26 billion) budget surplus for the financial year beginning July 1, to be achieved by cuts in government expenditure and a restructuring of the taxation system.

The economic statement usually foretells the government's thinking on the annual budget, which is presented in August.

Among the measures Mr. Keating outlined were a cut in corporate tax from 49 percent to 39 percent, beginning July 1. The tax base will be expanded, he said, by a crackdown on tax avoidance and the dropping of the gold industry's income tax exemption, beginning on Jan. 1, 1991.

Mr. Keating said import tariffs of more than 15 percent would be lowered to 15 percent in steps over four years beginning July 1. Tariffs of 15 percent or less will be lowered to 10 percent over the same period. The government will also end its 2 percent import duty.

He said that the lowering of import tariffs excluded autos, textiles, clothing and footwear.

Protective tariffs would be reduced to lower costs and encourage the manufacturing sector "to look beyond Australia for market opportunities."

The tariff cuts would reduce the average rate of manufacturing production to 8 percent from 12 percent, according to Treasury papers issued with Mr. Keating's statement.

Economists and industry leaders said the statement was a positive step toward tackling the fundamental problems facing the Australian economy.

Westpac Banking Corp. said the further reduction of government spending should boost national savings and reduce the current account deficit without inhibiting the opportunity for private investment.

Mr. Keating said government spending would fall by 1.5 percent in 1988-89, the third successive decline in inflation-adjusted terms, with gross cuts of 1.35 billion dollars in military expenditures, welfare, roads and subsidies to the six states, which receive a share of federal income tax receipts.

Spending is expected to be reduced to just under 26 percent of gross domestic product from 30 percent in just three budgets, Mr. Keating said.

He said before delivering his speech that the 1987-88 budget surplus would exceed 1 billion dollars but that he could not be more precise. The government budgeted for a 27 million dollar deficit in September but late in 1987 revised the estimate to a 580 million surplus, mainly because of strong revenue growth.

Personal tax cuts will be introduced in 1989-90 provided wages remain restrained, he said. The top bracket for personal income tax in Australia is now 49 percent.

# Saatchi Records 12% Rise in Pretax Profit for First Half

**LONDON** — Saatchi & Saatchi Co., the British-based international advertising group, announced on Wednesday that pretax profits for the six months to March 31 rose 12.3 percent to £63.1 million (\$117 million) from £56.2 million a year earlier.

Revenues for the half rose to £1.9 billion from £1.83 billion. The results were in line with analysts' expectations.

Maurice Saatchi, the group's chairman, said the company expected "another excellent year" this year.

"We expect 1988 to deliver yet another excellent set of profits, and make further progress towards our new corporate objectives," he said.

Saatchi shares dropped 6 pence to 375 pence on the news, but later recovered to 386 pence.

Pretax profits in 1987 totaled £124.1 million, an increase of 77 percent from the 1986 total of £70.1 million.

In the next decade, the company hopes to raise profits in its communications and consulting divisions.

"Achievement of these objectives will produce annual profits in excess of the company's current market capitalization," Mr. Saatchi said.

Saatchi is capitalized at around £85 million.

# WPP Is Buying PPGH, A Dutch Ad Agency

**LONDON** — WPP Group PLC, the fast-growing marketing services company, said Wednesday that it was buying a Dutch advertising agency, PPGH Group BV, for up to \$37.9 million (\$70.8 million).

After £16.8 million cash payment, another £21 million may be paid depending on profit through 1992.

# Seoul Improves Imbalance In Trade With U.S., Japan

**SEOUL** — South Korea's trade imbalance with both the United States and Japan showed substantial improvement in the first four months of 1988, according to statistics released here Wednesday.

The trade surplus with the United States, which has been a source of friction between the two nations, declined. On the other end of the scale, the chronic trade deficit with Japan narrowed. Figures were released by the Trade and Industry Ministry.

The surplus with the United States for the first four months of the year fell by \$117 million from the 1987 period, to \$2.58 billion. Exports to the United States increased 19.3 percent to \$6.08 billion, but imports soared 45.8 percent to \$3.5 billion.

The trade deficit with Japan during the first four months shrank \$541 million to \$1.5 billion. Exports climbed 59.1 percent to \$3.36 billion, while imports increased 19.1 percent to \$4.87 billion.

Analysts said the decline in exports to the United States reflected appreciation of South Korea's currency against the dollar. In Japan, South Korean goods enjoy price advantages and increasing competitiveness in quality, an official said.

ALMAL GROUP	\$ 399.00	(C) Prime Bond '87	DM 107.28	(W) GAW WORLDWIDE INC	\$ 22.48	(C) S&P 500 Index	DM 107.28	(W) GAW WORLDWIDE INC	\$ 22.48
(A) World Fund S.A.	\$ 112.44	(C) Short-Term Bond '87	DM 107.28	(W) GAW U.S. CLASS A	\$ 22.48	(C) Euro Stoxx	DM 107.28	(W) GAW U.S. CLASS A	\$ 22.48
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# Ad Slump, Newsprint Costs Hit U.S. Papers

**By Alex S. Jones**  
New York Times Service

**NEW YORK** — A slump in local retail advertising and higher newspaper prices are hurting many newspapers in the United States, according to industry analysts.

"Everybody's a little bit different, but no one is immune," said John S. Reidy, who watches the industry for Drexel Burnham Lambert Inc. "This thing is widespread, and we're in the doldrums."

Mr. Reidy said that since January he had reduced his earnings projections for newspaper stocks to 5 percent from 7 percent.

Newspaper prices, which account for 20 to 30 percent of a newspaper's costs, have increased by about 14 percent in the past 18 months. Paper prices had been expected to jump, but the softness in retail advertising surprises many in the industry.

The Newspaper Advertising Bureau, which monitors advertising for the industry, last month lowered its projection of growth in retail advertising expenditures to 6 percent for 1988. In January it projected growth of 8 percent.

Reasons for the slower growth include advertising cuts that are part of broad cost-cutting prompted by retailer consolidation, a decline in advertising support from manufacturers and slower retail sales.

The bureau also predicts that classified advertising spending will grow about 9 percent in 1988, compared with 13 percent in 1987.

National advertising expenditures are expected to increase 7 percent in 1988, compared with 3 percent in 1987. But this category accounts for only 10 to 15 percent of ad revenue at most papers.

Industry analysts said the drop in retail advertising was unusual because it was accompanied by relatively robust gains in classified advertising.

A decline in retail advertising often reflects a recession, while classified advertising traditionally is an early indicator of recession. But employers have swelled classified sections with help-wanted ads, said Edward J. Atorino, industry analyst at Smith Barney, Harris Upham & Co.

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CURRENCY MARKETS

Dollar Gains Strength From Trade Gap News

NEW YORK — The dollar firmed against major currencies Wednesday, boosted partly by technical factors and partly by confirmation that the United States cut its trade deficit in the first quarter by more than previously had been expected.

Table with columns: Country, Unit, and Rate. Includes London Dollar Rates for various countries like Australia, Canada, France, etc.

Dealers said they were looking ahead to revised first-quarter U.S. gross national product figures, to be released Thursday, for any indication that the economy is heating up, which would send the dollar lower.

The dollar rose to 124.425 yen from 124.200 on Tuesday, and it advanced to 1.7063 Deutsche marks from 1.7013.

The U.S. currency also advanced against the Swiss franc, rising to 1.4235 from 1.4200, and against the French franc, ending at 5.7585, up from 5.7445.

The British pound declined to \$1.8630 from \$1.8675 on Tuesday. Analysts said the dollar drew some strength from the government's report on first-quarter trade, which showed that record exports sent the U.S. merchandise trade deficit down 12.7 percent, or \$35.95 billion, from \$41.19 billion in the last quarter of 1987.

The dollar also rose on technical factors related to the strength of the yen against European currencies.

The U.S. currency, however, weakened slightly against the Australian dollar, which has been strong in recent sessions. The Australian dollar edged up to 79 cents from 78.6 cents on Wednesday.

Earlier in Europe, the Australian dollar swung wildly through the day. Treasurer Paul Keating's forecast that Australia's budget surplus in the 1988-1989 fiscal year would be 3 billion dollars pushed the cur-

U.S. Trade Gap Shows Biggest Quarterly Drop In More Than 5 Years

WASHINGTON — The U.S. foreign trade deficit showed its most dramatic quarterly improvement in more than five years during the first three months of 1988 as export growth sharply outpaced a rise in imports, the government said on Wednesday.

Although part of the improvement was due to erratic factors such as lower oil prices, economists predicted a trend of declining deficits as a cheaper dollar makes U.S. goods more attractive overseas.

In the first three months of the year, the deficit shrank to a seasonally adjusted \$35.95 billion on a balance-of-payments basis from \$41.19 billion in the 1987 fourth quarter, the Commerce Department said.

The 12.7 percent decline was the biggest improvement between quarters since the fourth quarter of 1982, and it left the deficit at its lowest point since the second quarter of 1986.

The figures exclude military sales and the cost of insurance and shipping.

The improvement was new evidence that the United States was making progress toward reducing its economic imbalances with trading partners.

"I think it is the start of a trend," said C. Fred Bergsten, director of the Institute for International Economics. "The external deficit clearly will be coming down."

"On the other hand," he added, "it's got to be kept in mind that the level of the deficit is still unsustainably high."

While exports and imports both rose to record levels in the first quarter, exports grew faster. Exports rose \$6.66 billion, or 9.8 per-

cent, to \$74.67 billion, while imports were up \$1.41 billion, or 1.3 percent, to \$110.62 billion.

"What this indicates is that the lower exchange rates of the dollar has largely restored America's price competitiveness in the world," he said, noting that export growth outpaced import growth by a 2-1 ratio over the past year.

While lauding the improvements, economists agreed that the deficit level was still too high.

"Greater progress will have to be made in reducing the trade deficit and that will only come if the dollar depreciates further," said Frank McCormick, a Bank of America economist.

For all of 1987, the trade deficit was a record \$160.28 billion on a balance-of-payments basis, compared with \$144.55 billion in 1986.

In the first quarter of 1988, the deficit with Japan dropped \$1.9 billion to \$12.9 billion while the deficit with Western Europe fell \$3.8 billion to \$4.5 billion. The deficit with newly industrialized countries in Asia fell \$1.1 billion to \$6.9 billion, the department said.

The deficit with Canada rose \$1.1 billion to \$4.4 billion in the first quarter. With Latin America, it advanced by \$300 million to \$3.4 billion.

Petroleum imports fell 12 percent to \$9.93 billion in the first quarter as the average oil price dropped to \$15.24 a barrel from \$17.46 in the fourth quarter.

Nonpetroleum imports rose 3 percent to \$100.6 billion in the first quarter, mainly because of increases in imports of non-electrical machinery, cars from Canada and nonferrous metals.

Baker's Proposals Designed to Mute Criticism

By Hobart Rowen Washington Post Service WASHINGTON — The U.S. Treasury secretary, James A. Baker 3d, whose plan for international economic cooperation has been in motion nearly three years,

may encounter resistance from the West Germans, British and French at the Toronto economic summit next month.

These nations, at least, see some adjustments needed in the coordination process set in motion in 1985.

Mr. Baker, however, remains convinced that he has placed "the world economy on a much more solid footing" and will move at Toronto to secure a few more refinements in the system as a final achievement for the Reagan administration.

In a speech in Paris last week before the Council on Foreign Relations, he unveiled two changes to the process, which began in September 1985 with an agreement in New York among the United States and its four major trading partners to manage exchange rates. The goal at that time was to drive down an inflated dollar.

The group included the United States, West Germany, Japan, France and England. Canada and Italy joined later.

Mr. Baker's purpose in outlining additional areas for potential economic coordination at this time appeared to be twofold: French authorities, among others, continue to raise the prospect of more sweeping monetary reforms.

Many, including the president of the West German central bank, Karl Otto Pöhl, have criticized the group's process for putting too much weight on man-

aging exchange rates without paying enough attention to underlying economic conditions.

Mr. Baker contended in his Paris speech that international economic cooperation had broad support to carry it well beyond the terms of current administrations in the seven countries.

Mr. Baker made a point of conceding that revision of the inter-

national monetary system is not simply a matter of exchange rates or reserve assets.

"Exchange rates are certainly a key variable," he said. "Ultimately, however, the test of an international monetary system is whether it can help foster an open and growing economy."

He said that U.S. efforts to reduce its budget deficits and become more competitive, as well as Japanese and West German efforts to reduce reliance on exported goods, can be traced to a successful political mechanism that is still young.

The Group of Five of 1985 led to a decline of about 50 percent in

the value of the dollar against the yen, and by nearly that much against leading European currencies. Although later in Paris in 1987 the major nations had to reverse their strategy to stabilize exchange rates, the decline set in motion in New York in 1985 is credited with helping to revive U.S. manufacturing exports, the first step in reducing the trade deficit.

The second step proposed by Mr. Baker was to broaden the coordination discussion to include so-called structural reform, such as taxes, liberalization of financial markets and deregulation of labor markets.

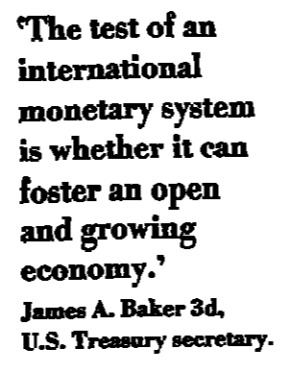
Until now, the group's ministers have focused on macroeconomic issues: exchange rates, trade imbalances and economic growth. Increasingly, however, as last week's meeting of the Organization for Economic Cooperation and Development meeting in Paris indicated, experts are becoming convinced of the need for closer links between macro and micro economic policies.

The British chancellor of the Exchequer, Nigel Lawson, said in an OECD speech that economic growth can be stimulated by removing economic barriers and regulations.

To meet the French initiative, Mr. Baker wants to keep the momentum going for what he considers a more pragmatic coordination process, one that might have better financial-market acceptance.

President Francois Mitterrand of France is likely to reiterate the call in Toronto for a new international monetary conference, perhaps patterned after the 1944 Bretton Woods Conference.

For example, if the United States agreed to try to achieve a goal of 3 percent economic growth, the monitoring zone might be 2.5 percent to 3.5 percent. If actual results differed significantly, Mr. Baker explained, then consultation and possible action would be considered by the group.



'The test of an international monetary system is whether it can foster an open and growing economy.'

James A. Baker 3d, U.S. Treasury secretary.

Wednesday's OTC Prices. NASDAQ prices as of 4 p.m. New York time. This list, compiled by the AP, consists of the 1,000 most traded securities in terms of dollar volume. It is updated twice a year.

Large table of stock prices with columns for stock name, price, and change. Includes various companies like A&W, ADC, ADI, etc.

Table of stock prices with columns for stock name, price, and change. Includes various companies like A&W, ADC, ADI, etc.

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SPORTS

Eindhoven Wins Cup On Last Penalty Shot

STUTT GART — PSV Eindhoven won the European Champions Cup on Wednesday night by beating Benfica of Lisbon in a dramatic penalty shootout following a scoreless tie after 90 minutes of regulation and then overtime.



Bettina Fulco of Argentina, left, returns a shot during her 6-3, 6-4 upset Wednesday of No. 8-seeded Hanna Mandlikova of Australia, winner of the 1981 French Open. Top-seeded Steffi Graf, right, easily disposed of Ronnie Reis of the United States 6-1, 6-0, despite having a cold.

Graf Wins and Fires Shot at Navratilova; 4 Open Seeds Upset

PARIS — Having more problems with a head cold than her opponent, defending champion Steffi Graf breezed Wednesday into the third round of the French Open and issued a warning to Martina Navratilova, the top challenger for her No. 1 ranking in women's tennis.

Soccer's Cable TV Deal Riles Germany Two-Thirds of Households Would Now Be Blacked Out

By Robert J. McCartney Washington Post Service BONN — West Germany's national soccer federation approved Wednesday a landmark television deal despite widespread, bitter protests that the agreement threatens to deprive two-thirds of the nation of the ability to watch regular-season matches of the country's most popular sport.

After 50 Days, Not a (1) Balk

NEW YORK — After 50 days and 50 nights, major-league baseball Tuesday had its first balk-free day of 1988. In 14 games, not one balk was committed. Pitches all came to a stop and so did an unrelenting string: 416 balks in the season's first 544 games.

Indians' Swindell First To Win 9 Games in '88

CHICAGO — Greg Swindell became the first nine-game winner in the major leagues Tuesday night by four-hitting the Chicago White Sox for 8½ innings as he pitched the Cleveland Indians to a 4-3 victory.

BASEBALL ROUNDUP

Expos 7, Padres 6: In Montreal, Hubie Brooks' RBI single with two out capped a three-run, 13th-inning rally against San Diego. The Padres had led four times since the ninth.

PGA Tour Moves to Ban U-Grooved Irons

DUBLIN, Ohio — The PGA Tour took a first step Tuesday to ban iron with U-shaped or square grooves and restrict its players to clubs with V-shaped grooves, the only modern ones used before 1984.

Transition

BASEBALL National League NEW YORK — Reached Keith Miller, left, from Tidewater, International League. NATIONAL FOOTBALL LEAGUE CINCINNATI — Signed Kevin Walker, linebacker. DENVER — Signed Terry Metten, quarterback.

NL Suspends Guerrero

Pedro Guerrero of the Dodgers, who last Sunday flogged his bat to beat the Mets' pitcher, David Cone, joined Pete Rose on the National League's suspended list Tuesday.

Jordan Adds MVP to Awards

NEW YORK — Michael Jordan, the only player in the history of the National Basketball Association to win the scoring title and be named defensive player of the season in the same year, Wednesday became the first player for the Chicago Bulls to be voted the league's most valuable player.

SCOREBOARD

Table containing baseball scores for Tuesday's live scores, including National League, American League, and Major League Standings.

TENNIS

French Open Results

Table showing tennis match results from the French Open, including winners and scores for men's and women's events.

WOMEN'S

Table showing women's tennis match results from the French Open, including winners and scores.

BASKETBALL

Table showing NBA playoff results, Eastern Conference Finals, Western Conference Finals, and National Basketball Association All-Stars.

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Modern Sportsmanship

WASHINGTON — "Daddy, can we watch baseball on TV?" "That's a good idea. You'll learn fairness and sportsmanship from it."



Art Buchwald

"The manager was provoked, and while you're not supposed to butt an umpire, you just can't stand there when he calls one of your players out at home plate."

"Because he's kicking the manager out of the game for ramming him in the stomach. Since umpires wear shiny black suits they think they can send managers to the showers any time they feel like it."

Be Prepared! World Scout Chief Retires

By Barry James

GENEVA — For a gourmet and skilled amateur cook, Laszlo Nagy had to endure some strange meals in his 20-year career as chief executive of the World Scout Movement.



Laszlo Nagy with Norwegian scouts: "Maybe the last working international organization."

"Fried worms," he grimaced. "Raw slugs and ants baked in stale oil. Sheep eyes, raw fish heads, stewed snake, roast rat and 10-day-old egg."

He was succeeded by a Canadian general, who moved the headquarters of the International Bureau from London to Ottawa, an arrangement that failed to keep pace with the global growth of scouting.

Met Opens Japan Tour With Offenbach 'Tales'

The Metropolitan Opera of New York opened in Tokyo Wednesday night with Placido Domingo in Offenbach's 'Tales of Hoffman'.

A Dozen American Folk Artists

A dozen American folk artists have been awarded grants by the National Endowment for the Arts for their efforts to preserve the artistic legacy of their forebears.

Stephen Sondheim's 'Into the Woods'

Stephen Sondheim's "Into the Woods" won its second "best musical" award in two weeks, this time from the New York Drama Desk.

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